



# Delaware Public Employees' Retirement System

— a component unit of the State of Delaware

## Thirty-Seventh Comprehensive Annual Financial Report

Presented By The  
DPERS Board of Pension Trustees  
For the Fiscal Year Ended June 30

2008

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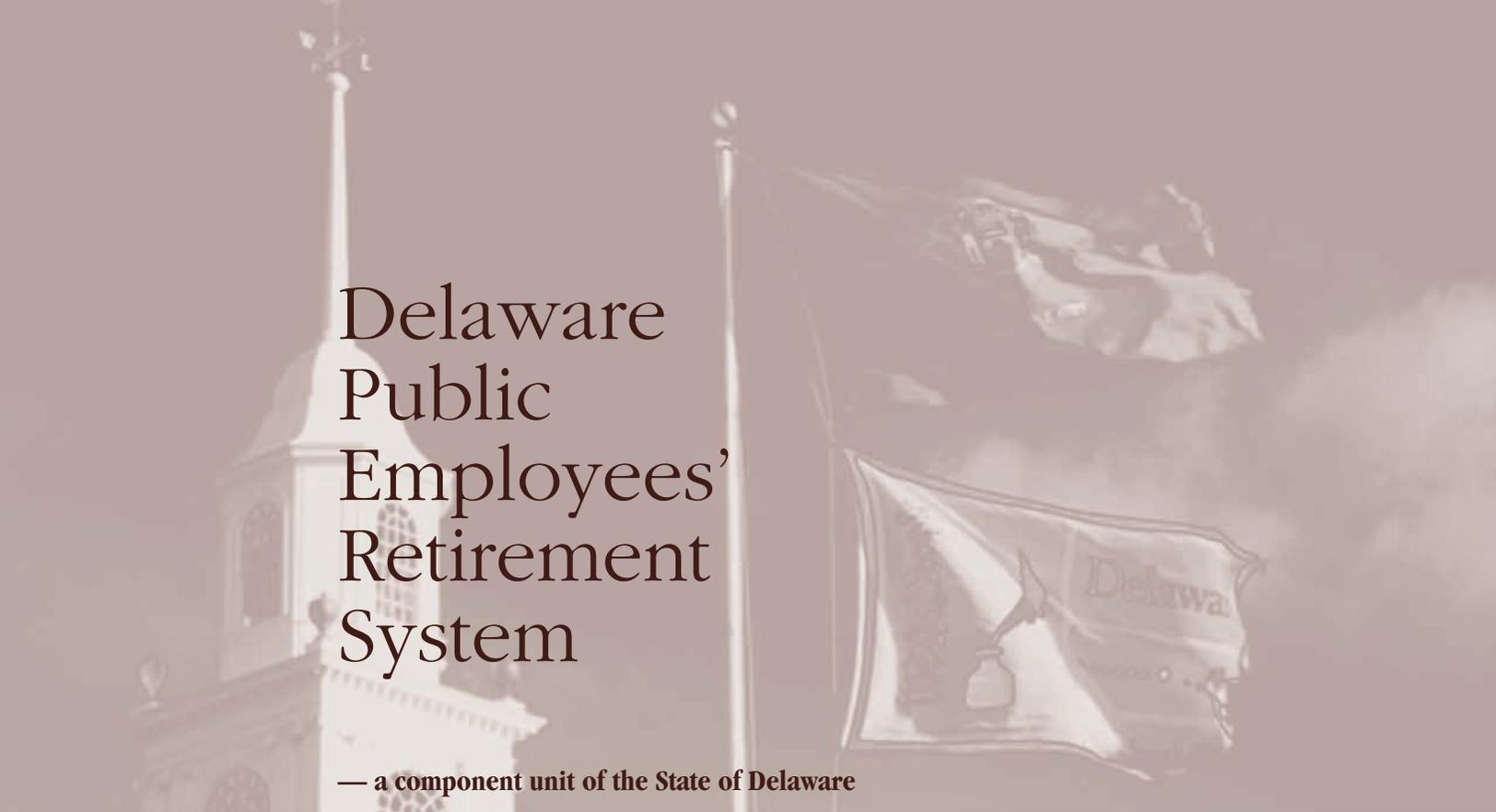
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# Delaware Public Employees' Retirement System

— a component unit of the State of Delaware

## Thirty-Seventh Comprehensive Annual Financial Report

Presented By The DPERS Board of Pension Trustees  
and Prepared by the Office of Pensions  
Fiscal Year Ended June 30, 2008

State Employees' Pension Plan

Special Fund

New State Police Pension Plan

Judiciary Pension Plans

County & Municipal Police and Firefighters' Plans

County & Municipal Other Employees' Pension Plan

Delaware Volunteer Firemen's Fund

Diamond State Port Corporation Pension Plan

County & Municipal Police and Firefighters' COLA Fund

Post-Retirement Increase Fund

Delaware Local Government Retirement Investment Pool

Closed State Police Pension Plan

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# Delaware Public Employees' Retirement System



— a component unit of the State of Delaware

Introductory Section

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Delaware Public Employees' Retirement System

For its Comprehensive  
Annual Financial Report for the  
Fiscal Year Ended June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*  
President

*Jeffrey R. Emery*  
Executive Director



STATE OF DELAWARE  
 STATE BOARD OF PENSION TRUSTEES  
 AND  
 OFFICE OF PENSIONS  
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October 29, 2008

The Honorable Ruth Ann Minner  
 and  
 Members of the 144<sup>th</sup> General Assembly

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (DPERS or the System) is proud to present its 37th Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008.

This report provides information on nine plans/funds [State Employees', Special Fund, New State Police, Judiciary, County & Municipal Police and Firefighters', County & Municipal Other Employees', Delaware Volunteer Firemen's Fund, Diamond State Port Corporation, and Closed State Police] plus three commingled investment funds [County & Municipal Police and Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI) and Delaware Local Government Retirement Investment Pool (DELRIP)]. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the State Board of Pension Trustees (Board). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and present fairly the System's financial position and operational results for the Fiscal Year ended June 30, 2008.

This year DPERS has been confronted with very challenging market conditions. The excess liquidity from around the world that previously inflated real estate and other asset values has reversed with a vengeance propelled by the collapse of the housing market in the U.S. As of this writing it is still not clear where the bottom is and its effects are not just here in the U.S., but global. The resulting credit crunch has resulted in de-leveraging across the financial sector and has put downward pressure on most asset classes. We have undertaken a number of defensive steps over the past year to anticipate and navigate our way through this financial crisis. The Board and its Investment

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and  
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Committee will continue to actively monitor and proactively manage the System during these difficult times in a manner fully consistent with our fiduciary duty to the beneficiaries.

The Management's Discussion and Analysis (MD&A), located in the Financial Section of this report, provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The System was established on June 11, 1970, with the incorporation of the State Employees', Judiciary, Closed State Police, and Retired & Disabled Teachers Pension Plans. The State Employees' and the Judiciary Plans were changed to actuarial reserve funding shortly thereafter. The Closed State Police Pension Plan remains a pay-as-you-go plan. Fiscal Year 1994 was the last year the Retired & Disabled Teachers' Pension Plan had members entitled to benefits.

When calendar year 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of Fiscal Year 2008, pensioners numbered 22,472; monies from the nine plans/funds and three pension commingled investment funds totalled \$7.1 billion. The State's contribution rate for the State Employees' Pension Plan for Fiscal Year 2008 was 6.1% of payroll. Employer rates in the other plans that the Board administers range from 6.0% to 28.0% of covered payroll. Benefit coverage varies by plan as shown on pages 30-33. Benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states. The majority of beneficiaries' pension benefits are fully funded. The funding status of each plan is detailed on pages 46-48.

### **Major Accomplishments**

*Other Post-Employment Benefits (OPEB)* - Effective July 1, 2007, legislation allowed the creation of the Delaware OPEB Fund Trust to invest assets to address the State's accrued liabilities for such retiree benefits. The legislation establishing the Delaware OPEB Fund Trust intends that those assets will accumulate and be used for the payment of insurance premiums for pensioner health care. The DPERS Board serves as the Board of Trustees for the Delaware OPEB Fund Trust and is responsible for the financial management of the trust. Policy for the Delaware OPEB Fund Trust is determined by the State of Delaware, which provides the benefits. In Fiscal Year 2008, the assets of the State Employees' Health Insurance Premium Fund (aggregating \$34.2 million) were transferred outside of the System to the Delaware OPEB Fund Trust. In addition to revenue received to cover current health insurance claims, the Delaware OPEB Fund Trust received a contribution from State employers equal to .54% of payroll. Funding for Fiscal Year 2009 will range between 0.54% and 0.81% of covered payroll. This contribution is not actuarially calculated. Further information on the Delaware OPEB Fund Trust can be found in the State of Delaware Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2008.

*Best Practices* - The Board, with the help of its legal counsel and various Committee members, continued its "Best Practices Review" during Fiscal Year 2008. Now in its fourth year, the process provides the benefit of annually comparing reviews of the System's operations and efficiency with

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### **Major Accomplishments (continued)**

similar public pension funds. Those reviews indicate the System compares favorably or very favorably with its peers. The Board continues to formalize its operations and policies, as well as promote Trustee training opportunities. In addition, with the help of outside legal counsel, the Board is reviewing the structure of the System and each of its nine plans/funds as established in the Delaware Code for compliance with the Internal Revenue Code and its rules, regulations, and interpretive opinions.

***Enhanced Professional Review*** – Also as a result of the ongoing Best Practices Review, the Board added to its complement of professional resources. A Request for Proposals was issued for outside counsel to review investment and partnership contracts, which resulted in relationships being established with several highly skilled law firms that will be available as needed when new investment contracts are considered. The Board also approved the use of professional services to expand the monitoring of securities litigation and investment performance.

***Reducing Risk*** – In response to the uncertain economic conditions, especially in the credit markets, the Board voted in December to temporarily withdraw from the securities lending program established with the custodial bank until such time that credit and counterparty risk return to a more favorable condition. At the same time, the Board transferred its cash assets to a more conservative short-term investment fund. The Board continues to diversify the portfolio and increased the allocation to alternative investments to 18.1% from 12.4% the previous year, and decreased the fixed income and bond exposure from 27.2% to 22.9% to reduce credit market exposure.

***Local Government Participation*** - Membership in the County & Municipal plans continues to grow. New members include the Towns of Middletown, Fenwick Island, Cheswold Fire Company, Elsmere Fire Company, and Five Points Fire Company.

***GFOA Certificate of Achievement*** - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware Public Employees' Retirement System for its comprehensive annual financial report (CAFR) for the Fiscal Year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the twelfth consecutive year that DPERS has received a Certificate of Achievement. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

***Public Pension Coordinating Council Award*** - The Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2007. The PPCC is a coalition of National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), and National Conference on Public Employee Retirement Systems (NCPERS). The major

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and  
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### **Major Accomplishments (continued)**

PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration and serve as a benchmark by which all defined benefit public plans should be measured. Public Pension Standards include: comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment Committee, and communications with membership.

*Technology Upgrades* - The System completed the installation of an improved document imaging and work flow system to allow greater efficiency in handling active employee and retiree data. The application also allows enhanced text search capabilities. Also in Fiscal Year 2008 work began to implement a new financial reporting system. The System also released a Request for Proposals for the Fiscal Year 2009 upgrade of the existing human resource system that houses all beneficiary data and calculations.

### **Investments and Economic Climate**

The System's investments had a 1.3% decline in return gross of fees in Fiscal Year 2008. The System's annualized total returns for the last five, ten and fifteen years are 10.5%, 7.1% and 9.8%, respectively. When compared with the total returns for public funds with assets greater than \$500 million, the System ranked in the top quartile for the one, three, and ten year period ending June 30, 2008. In addition, the System's returns compare favorably with its benchmark for the most recent one, three, and five year periods.

System investments are managed to control the downside risk to which assets are exposed while maximizing long-term gain potential. This strategy positions the System to limit the impact of adverse market conditions.

During the year, investment market returns were mixed and adversely affected by the collapse of the housing market and de-leveraging of the overall financial system. The Russell 3000 stock index declined 12.7%, the Lehman Universal bond index gained 6.2%, while the Lehman High Yield bond index declined 4.8%. International stock markets suffered losses that were partially offset by the rising value of international currencies relative to the dollar, with the Morgan Stanley All-Country ex-USA stock index declining 6.6%. During this volatile year the Board proactively reallocated the portfolio from fixed income and bonds to cash and alternative investments. The System continues to manage its investments by focusing on risk control and diversification into non-traditional asset classes. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 61 of this report.

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and  
Members of the 144<sup>th</sup> General Assembly  
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### **Investments and Economic Climate (continued)**

The System's investment activity is governed by the "prudent person rule," a fiduciary standard, which applies to anyone with System authority. Fiduciaries must discharge their duties solely in the interest of System participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstances.

The Board's investment policy is summarized on page 65. Investment constraints are outlined in the investment policy established by the Board, including the appropriate degree of risk. Investment managers are hired to execute the investment policy and have full discretion for investment decisions within statutory authority, Board policy, and their respective guidelines. A list of the investment managers under contract with the System as of June 30, 2008, may be found on page 72 of this report. A summary of the total System's asset allocation can be found on page 71.

### **Funding Status**

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. It should be noted that five of the plans/funds included in the System continue to be fully funded – State Employees', Special, New State Police, County & Municipal Police & Firemen's and Diamond State Port – covering 88.5% of the System's membership. Of the remaining plans, two are making annual contributions at the actuarially determined rates to reach full funding and the Closed State Police Pension Plan remains a pay-as-you-go plan. In compliance with the Governmental Accounting Standards Board (GASB) Statement 50 regarding pension disclosures, this year's CAFR includes the current funded status of the pension plans and a description of the plan actuarial methods and remaining amortization periods as part of the Notes to the Financial Statements. This disclosure gives the reader the current status of each plan's funding level, while the Schedule of Funding Progress contained in the Required Supplementary Information provides the long-term trend data over a ten-year period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report which begins on page 77.

### **Internal Controls**

System internal accounting controls are designed to reasonably assure the safekeeping of assets and the reliability of financial reporting. Control procedures and responsibilities are well documented both in writing and with graphic flowcharts. These are reviewed and updated annually.

The Audit Committee, a committee appointed by the Board, monitors operations and controls throughout the year. An independent auditing firm audits the System's basic financial statements annually and reports any findings to the Audit Committee and the Board.

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and  
Members of the 144<sup>th</sup> General Assembly  
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### **Professional Services**

Professional consultants are appointed by the Board to perform ongoing services essential to the effective and efficient operation of the System. An opinion on the System's basic financial statements from the independent auditors, KPMG LLP, is included in the Financial Section of this report. Cheiron, Inc., is retained to perform actuarial valuations for the System. The Northern Trust Company is the global custodian for the System.

Ashford Consulting Group, Inc., serves as the System's investment advisor. Ashford provides the Board with periodic investment performance updates and provides the Investment Committee and the Board with ongoing market insights, asset allocation recommendations, investment manager research and recommendations, performance and attribution analysis, and additional investment-related services.

### **Acknowledgments**

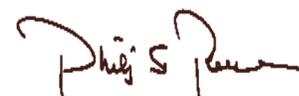
The preparation of this report reflects the combined efforts of the System staff under the direction of the Board. Specific sections and overall editing include contributions from various Board committees and professional consultants.

The Board thanks Dr. Thomas F. Weir for his five years of service to the Medical Committee and Dr. Charles O. Webber who resigned after more than ten years with the Committee. Both men brought a wealth of experience and compassion to the medical file reviews that are so important to our pensioners. The Board welcomes the addition of G. Dean MacEwen, M.D. to the Medical Committee. Dr. MacEwen's knowledge and medical experience will be a great addition to the Medical Committee.

The Board also welcomes the addition of Mark Finrock to the Audit Committee. Mr. Finrock's corporate experience provides an extra dimension in risk management and analysis to the Committee.

The Board thanks the many people who work so diligently to assure the successful operation and financial soundness of the Delaware Public Employees' Retirement System. These include the Pension Office staff; the Director of the Office of Management & Budget who provides administrative supervision to the Pension Office; other State support personnel; professional consultants; members of the Investment, Medical, and Audit Committees; and the Pension Advisory Council.

Respectfully submitted,



Philip S. Reese, Chair  
Board of Pension Trustees

## Board of Pension Trustees, Board Committees, & Professional Consultants

### Board of Pension Trustees

**Philip S. Reese, Chair**

*Former Vice President Corporate  
Development and Treasurer*  
Conectiv

**Robert W. Allen**

*President*  
Allen Petroleum

**Jan M. King**

*Former Vice President and Treasurer*  
Hercules, Inc.

**Nancy J. Shevock**

*Former Director*  
Delaware Transit Corporation

**Helen R. Foster, J.D.**

*President*  
CTW & Consulting Associates, LLC

### Ex-Officio Board Members

**Richard S. Cordrey**

*State Secretary of Finance*

**Jennifer W. Davis**

*Director, Office of Management & Budget*

### Executive Secretary to the Board and Pension Administrator

**David C. Craik**

### Legal Counsel

**Cynthia L. Collins, Esq.**

*Deputy Attorney General*

### Investment Committee

**Jan M. King, Chair**

**Elva B. Ferrari**  
**Clark Phippen**  
**Philip S. Reese**  
**Mark E. Stalnecker**  
**A. Dale Stratton**

### Audit Committee

**Joel S. Poorman, Chair**

**Robert W. Allen**  
**Mark Finfrock**  
**William Markell, Ed.D.**  
**Harold D. Smith, II**

### Medical Committee

**William D. Shellenberger, M.D., Chair**

**Vincent DelDuca, Jr., M.D.**  
**Robert W. Frelick, M.D.**  
**Albert Gelb, M.D.**  
**G. Dean MacEwen, M.D.**  
**Charles S. Riegel, M.D.**  
**Phyllis M. Smoyer, M.D.**

### Pension Advisory Council

**James B. Testerman, Chair**

*Member, Delaware State Education Assoc.*

### Consulting Actuary

**Cheiron, Inc.**

### Investment Advisor

**Ashford Consulting Group, Inc.**

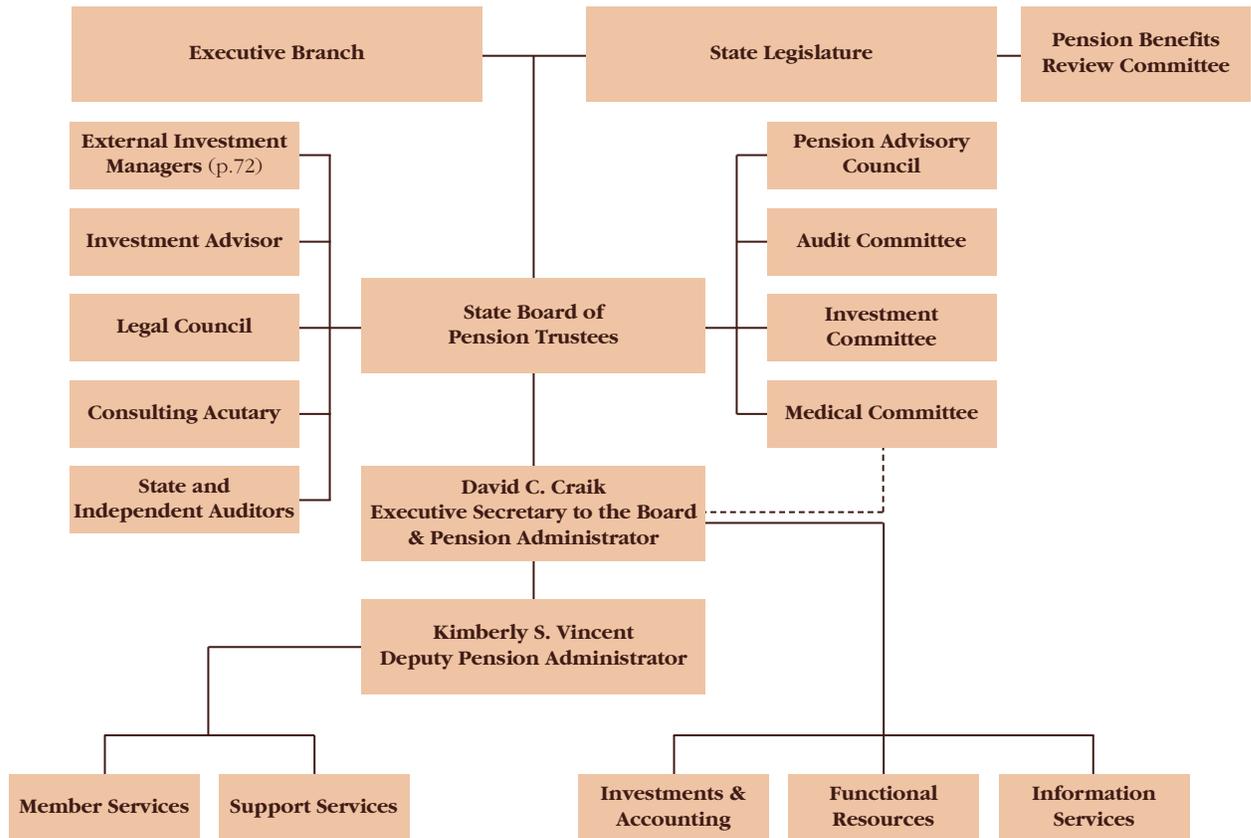
### Independent Auditors

**KPMG LLP**

### Global Custody Bank

**Northern Trust Co.**

## Organizational Chart



### Management Team:

- Investments & Accounting:** Kathy Kunkle, *Pension Cash/Debt Manager*
- Functional Resources:** W. Ray Johnson, *Strategic Information Systems Manager*
- Information Services - Applications:** Ralph Ball, *Strategic Information Systems Project Leader*
- Information Services - Systems:** Robert Eckstine, *Strategic Information Systems Project Leader*
- Member Services:** Florence M. Price, *Pension Benefit Processing*  
Lisa Hudson, *Pre-Retirement Services*
- Support Services:** Terri L. Timmons, *Office Manager*

## Highlights of Board Activities

The Board of Pension Trustees (Board) – comprised of five members appointed by the Governor and confirmed by the Senate, and two ex-officio members – is responsible for the general administration of these plans/funds:

- State Employees' Pension Plan
- Special Fund
- New State Police Pension Plan
- Judiciary Pension Plans (Closed and Revised)
- County & Municipal Police and Firefighters' Pension Plans
- County & Municipal Other Employees' Pension Plan
- Delaware Volunteer Firemen's Fund
- Diamond State Port Corporation Pension Plan
- Closed State Police Pension Plan.

The following retirement funds/plans have been established under the custody of the Board for investment purposes only:

- County & Municipal Police and Firefighters' COLA Fund
- Post-Retirement Increase Fund
- Delaware Local Government Retirement Investment Pool

In addition to its general administrative responsibilities, the Board is responsible for these specific functions:

- Maintain and oversee the investment of the Delaware Public Employees' Retirement System (System) and the Delaware OPEB Fund Trust (OPEB)
- Appoint an independent actuary to perform annual actuarial valuations used as the basis for contributions to the System
- Control and manage State pension payments
- Hear appeals from State Pension Office decisions regarding eligibility for pension benefits
- Adopt rules and regulations for the general administration of State pension plans
- Prepare and publish an annual report to the Governor and General Assembly
- To contract with State agencies and others for assistance in the general administration and the investing or advising as to the investment of pension system and OPEB assets
- Determine interest rates to be credited to members' contributions and rates to be charged on repayment of contributions previously withdrawn.

The day-to-day administration of these plans/funds is performed by the State Pension Office, which also determines the eligibility of individual employees for pension benefits. The Pension Administrator reports to the Director of the Office of Management & Budget and also serves as Executive Secretary to the Board.

The Medical Committee of the Board is comprised of seven medical doctors, all retired from private practice. It evaluates and makes recommendations concerning the medical condition of applicants for and recipients of disability pensions. The Medical Committee meets monthly and reviews the

### Highlights of Board Activities (continued)

files of individuals who elected to remain in the disability pension program offered prior to January 1, 2006. Other disability cases are now determined by the State's insurance carrier.

The five-person Audit Committee of the Board monitors operations and internal controls throughout the year to identify issues requiring Board and Pension Office action. They are responsible for interfacing with the Delaware Auditor of Accounts and the independent auditing firm to assure System compliance with generally accepted accounting practices and principles.

The Investment Committee of the Board is currently comprised of six members. This Committee operates within the investment guidelines established by the Board. The Committee establishes policies to meet these objectives and monitors these policies with the assistance of the Investment Advisor. The Committee also reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by selecting managers who demonstrate different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives. Further discussion of the Investment Committee's activities may be found in the Investment Section of this report beginning on page 61.

The Board retains Ashford Consulting Group, Inc., as investment advisor for the System. Ashford provides a variety of services to the System including: investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, and investment policy and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the System as of June 30, 2008, may be found on page 72 of this report.

The Board retains the firm of Cheiron, Inc., to provide professional actuarial and consulting services. Such services include the preparation of comprehensive actuarial valuations and reports, analysis of the costs and other aspects of proposed changes in pension provisions, general consulting advice, and background information on other public pension plans.

The Department of Justice assigns a Deputy Attorney General to serve as general counsel to the Board. The Deputy deals with legal questions involving interpretation and administration of pension laws, advises the Board in connection with appeals hearings, works with the Board on drafting legislation and regulations, and negotiates contracts.

The major activities of the Board and its committees during the 12-month period July 2007 through June 2008 were:

- As part of its continuing best practices review, continued to retain additional outside counsel to ensure full compliance with the IRS Code. Outside counsel was also retained for the purpose of drafting and reviewing alternative investment contracts.
- Held regular monthly meetings and met with representatives of investment management firms and the custodial banks on a regular basis
- Held hearings for individual plan members who appealed decisions of the Pension Office, including eligibility of individual employees for disability pension benefits, or questioned the Board's interpretation of State pension laws
- Participated in meetings with the Governor's staff, members of the General Assembly, officials of State agencies and school districts, the Pension Advisory Council, representatives of employee organizations, and other interested parties.



Public Pension Coordinating Council  
Public Pension Standards  
2007 AWARD

Presented to

Delaware Public Employees' Retirement System

In recognition of meeting professional standards for  
plan design and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in dark brown ink that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator

## 2008 Legislation Affecting Pensions

- S. B. 282**  
(76 Del. Laws, C397) This bill allows the Board of Pension Trustees to levy interest and/or penalties on participating employers who fail to make timely payments of employee and employer contributions that are owed to the pension plans administered by the Delaware Public Employees' Retirement System.
- S. B. 284**  
(76 Del. Laws, C279) This bill contains technical changes to the pension plans of the Delaware Public Employees' Retirement System to ensure the plans remain qualified under the Internal Revenue Code.
- S.B. 304**  
(76 Del. Laws, C321) This bill amends the State's disability insurance program to permit retired Delaware State Police troopers who are currently employed in a position covered by the State Employees' Pension Plan to obtain short and long term disability benefits.
- S. B. 300**  
(76 Del. Laws, C280) Section 79 of the Appropriation Act adds new language to the Delaware Code whereby any record, material or data received, prepared, used or retained by the Board or its employees, investment professionals or agents relating to an investment shall not constitute a public record. Included in the annual State appropriation act is the allotment of four new positions to establish a call center in the Pension Office to answer incoming calls from pensioners and free up other staff for higher level work.
- S.B. 337**  
(76 Del. Laws, C324) This bill modifies the provisions of the disability insurance program, including allowing an employee who was vested in the State Employee Pension Plan as of December 31, 2005, to be covered under the disability pension plan upon exhaustion of their long term disability insurance benefits due to a diagnosis of mental illness or substance abuse.
- H. B. 153**  
(76 Del. Laws, C214) This bill changes the County and Municipal Police/Firefighter Plan Pension vesting requirements.

Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Financial Section



KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

## Independent Auditor's Report

Members of the Board of Pension Trustees  
Delaware Public Employees' Retirement System:

We have audited the accompanying statement of plan net assets of the Delaware Public Employees' Retirement System (the System) as of June 30, 2008 and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying summarized comparative financial information has been derived from the Delaware Public Employees' Retirement System's June 30, 2007 financial statements and, in our report dated September 26, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Delaware Public Employees' Retirement System as of June 30, 2008 and its changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

As explained in Note 3, the financial statements include investments valued at \$1,281.3 million (18.1 percent of the net asset value as of June 30, 2008), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners of the funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



The financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2007, from which such summarized information was derived.

The information included in Management's Discussion and Analysis, Schedule of Funding Progress, and Schedule of Employer Contributions, on pages 20-23 and 46-51, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule of Administrative Expenses, Schedule of Investment Expenses and the Schedules of Plan Net Assets and Changes in Plan Net Assets for the Delaware Local Government Investment Pool are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial and Statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory, Investment, Actuarial and Statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 20, 2008

## Management's Discussion and Analysis

This section presents management's discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance and provides an overview of the System's financial activities for the Fiscal Year ended June 30, 2008. It is intended to be a narrative supplement to the System's financial statements, which begin on page 24 of this report.

### Financial Highlights

The following financial highlights occurred during the Fiscal Year ended June 30, 2008, versus Fiscal Year 2007:

- Plan net assets of all the pension funds administered by the System decreased by \$317.3 million.
- Fiscal Year 2008 covered payrolls totaled \$1,848.5 million, resulting in a 1.3% increase in employer pension contributions and a 6.8% increase in member pension contributions. Employer and member contributions increased due to overall salary increases and more entities participating in the County & Municipal plans.
- Net investment earnings (net increase/(decrease) in fair value, plus investment earnings, less investment-related expenses) decreased by \$1,119.7 million as a result of a 1.3% negative investment return for Fiscal Year 2008.
- Transfer of assets outside the System increased to \$61.3 million from \$2.6 million because of transfers of assets previously invested in the System that are now invested in the Delaware OPEB Fund Trust. In addition, the investment for the Delaware Firefighters' Pension Plan was changed from commingled with the System's assets to a separate fund.
- Pension benefits paid to retirees and beneficiaries increased \$21.8 million bringing the total benefit payments to \$377.1 million. The moderate increase was due to a net increase of 3.6% in the number of retirees and fewer post-retirement increases granted.
- Refunds of contributions paid to former members upon termination of employment decreased from \$3.5 million to \$3.3 million.
- Administrative expenses (including special project expenses) increased by 12.5% compared to Fiscal Year 2007. This increase is largely attributable to legal fees associated with the ongoing review of the legal and tax structure of the System, and the installation of a new document imaging and workflow system. Compared to Fiscal Year 2007, personnel costs decreased 5.5% primarily due to unfilled positions and costs shifted to the long-term disability program for affected employees; computer hardware costs decreased due to the completion of network and server upgrades. (See Schedule 3 on page 54 for more details.)
- The System participated in a securities lending program from July 2007 through December 2007, when the Board voted to suspend participation in the program. This is considered to be a temporary move until such time that concerns of credit market and counterparty risk abate. The securities lending program produced \$1.6 million in income prior to the suspension.

## Using this Financial Report

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the System's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The Statement of Plan Net Assets and Statement of Changes in Plan Net Assets (pages 24-27) provide information about the activities of the nine individual pension plans/funds administered and the three funds managed, as well as comparative summary information about these activities for the System as a whole.

New this year is a separate disclosure required by GASB Statement No. 50 of the current year's actuarially determined pension plan funded status as of June 30, 2008, the most recent valuation date. This information is summarized for all plans on page 38 in the Notes to the Financial Statements. The description of plan actuarial methods is also presented in the Notes to the Financial Section on page 39. Previously, this information was disclosed in the Required Supplementary Information following the Notes.

The Schedule of Funding Progress (pages 46-48) includes historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions (pages 49-51) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.

## Net Assets

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2008	2007	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 7,140,717	\$ 7,444,719	\$ (304,002)	(4.1%)
Receivables	41,283	68,422	(27,139)	(39.7%)
Invested Securities Lending Collateral	-	767,805	(767,805)	(100.0%)
<b>Total Assets</b>	<b>\$ 7,182,000</b>	<b>\$ 8,280,946</b>	<b>\$ (1,098,946)</b>	<b>(13.3%)</b>
<b>Total Liabilities</b>	<b>\$ 85,891</b>	<b>\$ 867,576</b>	<b>\$ (781,685)</b>	<b>(90.1%)</b>
<b>Total Plan Net Assets</b>	<b>\$ 7,096,109</b>	<b>\$ 7,413,370</b>	<b>\$ (317,261)</b>	<b>(4.3%)</b>

## Changes in Net Assets

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2008	2007	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
<b>Additions:</b>				
Employer Contributions	\$ 185,204	\$ 182,796	\$ 2,408	1.3%
Transfer of Contributions from PRI Fund	47,416	45,649	1,767	3.9%
Transfer of Assets from Outside the System	10,192	18,318	(8,126)	(44.4%)
Member Contributions	53,468	50,074	3,394	6.8%
Other	38	27	11	40.7%
Net Investment Earnings (Losses)	(115,138)	1,004,603	(1,119,741)	(111.5%)
Net Securities Lending Income	1,585	1,481	104	7.0%
<b>TOTAL ADDITIONS</b>	<b>\$ 182,765</b>	<b>\$ 1,302,948</b>	<b>\$ (1,120,183)</b>	<b>(86.0%)</b>
<b>Deductions:</b>				
Transfer of Contributions from PRI Fund	\$ 47,416	\$ 45,649	\$ 1,767	3.9%
Transfer of Assets Outside the System	61,339	2,626	58,713	2235.8%
Pension Payments	377,118	355,308	21,810	6.1%
Refunds of Contributions to Members	3,336	3,466	(130)	(3.7%)
Burial Benefit Payments	4,839	4,231	608	14.4%
Administration Expenses:				
General Administrative Expenses	5,096	5,262	(166)	(3.2%)
Best Practices Review	34	51	(17)	(33.3%)
Imaging System Installation	762	-	762	-
Financial Reporting System	86	-	86	-
<b>Total Administrative Expenses</b>	<b>\$ 5,978</b>	<b>\$ 5,313</b>	<b>\$ 665</b>	<b>12.5%</b>
<b>TOTAL DEDUCTIONS</b>	<b>\$ 500,026</b>	<b>\$ 416,593</b>	<b>\$ 83,433</b>	<b>20.0%</b>
<b>(DECREASE)/INCREASE IN PLAN NET ASSETS</b>	<b>\$ (317,261)</b>	<b>\$ 886,355</b>	<b>\$ (1,203,616)</b>	<b>(135.8%)</b>

## Analysis of Net Assets

The System was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the System. Combined plan net assets decreased by \$317.3 million during Fiscal Year 2008. The year's negative investment return of (1.3%) is the primary reason for this year's reduction in total plan net assets.

Employer contributions increased approximately \$2.4 million primarily due to increases in employer contribution rates and covered salaries for the participating employers. Member contributions increased by approximately \$3.4 million due to an increase in the number of active employees primarily in the County & Municipal plans. Transfers from outside the System decreased by approximately 44.4% due to investments from local governments formerly in the Delaware Retirement Investment Pool (DELRIIP) now participating in the Delaware OPEB Fund Trust. Transfers from the Post-Retirement Increase Fund (PRI) increased by approximately \$1.8 million reflecting the post-retirement increase granted by legislation in previous fiscal years.

Transfers of Assets Outside the System include transfers from the County & Municipal Police and Firefighters' COLA Fund (COLA Fund) to individual participating entities, as well as the transfer of assets from DPERS to the Delaware OPEB Fund Trust. Pension benefit payments increased by approximately 6.1% as a result of a 3.6% increase in the number of retirees over Fiscal Year 2007.

During Fiscal Year 2008, the System established the Delaware Volunteer Firemen's Fund as a length of service award plan under the Internal Revenue Code and, as such, the Fund's assets are not commingled for investment purposes.

Total administrative expenses (including special projects) increased 12.5% primarily due to legal fees associated with the review of the legal and tax structure of the System (previously identified in the Best Practices process) and the installation of a new document imaging and workflow system. In addition, work began on the installation of a new financial reporting system.

## Historical Trends

Accounting standards require that the Statement of Plan Net Assets reports asset values at fair value and includes only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the long-term actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 46-48). The asset value stated in the Schedule of Funding Progress is the actuarial value of assets as determined by calculating the ratio of market value to book value of assets over a five-year period. The actuarial assumptions used in the most recent valuation are identified, along with the Current Funded Status of the Plans, within the Notes to the Financial Statements (pages 38-39). Annual required contributions of employers and contributions made by employers in relation to the required contributions are provided in the Schedule of Employer Contributions (pages 49-51). This schedule indicates whether employers are meeting their responsibilities to provide financial resources to the plans.

## Statement of Plan Net Assets

as of June 30, 2008 with Comparative Totals for June 30, 2007

(expressed in thousands)

	State Employees' Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
<b>Assets:</b>						
Cash & Cash Equivalents	\$ 345,755	\$ 32	\$ 10,999	\$ 2,382	\$ 5,170	\$ 657
Receivables:						
Accrued Investment Income	16,158	2	514	122	242	31
Pending Trade Sales	9,884	1	315	75	148	19
Employer Contributions	6,113	-	405	148	512	90
Member Contributions	3,197	-	198	18	263	37
<b>Total Receivables:</b>	<b>\$ 35,352</b>	<b>\$ 3</b>	<b>\$ 1,432</b>	<b>\$ 363</b>	<b>\$ 1,165</b>	<b>\$ 177</b>
Investments at Fair Value:						
Domestic Fixed Income	612,325	57	19,480	4,233	9,157	1,164
Domestic Equities	1,133,160	105	36,049	7,834	16,945	2,154
Pooled Equity & Fixed Income	2,130,391	198	67,773	14,727	31,858	4,050
Alternative Investments	1,202,383	112	38,251	8,312	17,980	2,286
Foreign Fixed Income	119,623	11	3,806	827	1,789	227
Foreign Equities	1,144,613	106	36,413	7,913	17,116	2,176
<b>Total Investments:</b>	<b>\$ 6,342,495</b>	<b>\$ 589</b>	<b>\$ 201,772</b>	<b>\$43,846</b>	<b>\$ 94,845</b>	<b>\$ 12,057</b>
<b>Invested Securities Lending Collateral</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL ASSETS:</b>	<b>\$ 6,723,602</b>	<b>\$ 624</b>	<b>\$ 214,203</b>	<b>\$46,591</b>	<b>\$ 101,180</b>	<b>\$ 12,891</b>
<b>Liabilities:</b>						
Pending Purchases Payable	74,366	7	2,367	561	1,113	141
Securities Lending Collateral Payable	-	-	-	-	-	-
Benefits Payable	553	-	3	9	9	-
Accrued Investment Expenses	5,022	-	160	38	75	10
Accrued Administrative Expenses	619	-	20	5	9	1
<b>TOTAL LIABILITIES:</b>	<b>\$ 80,560</b>	<b>\$ 7</b>	<b>\$ 2,550</b>	<b>\$ 613</b>	<b>\$ 1,206</b>	<b>\$ 152</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POOL PARTICIPANTS:</b>						
	<b>\$ 6,643,042</b>	<b>\$ 617</b>	<b>\$ 211,653</b>	<b>\$45,978</b>	<b>\$ 99,974</b>	<b>\$ 12,739</b>

The notes to the financial statements are an integral part of this Statement.

(A schedule of funding progress for each plan is presented on pages 46-48)

Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Delaware Local				Totals as of June 30,	
			Post-Retirement Increase Fund	Gov't Retirement Investment Pool	State Employees' Closed Post-Retirement Health Insurance Premium Fund	State Police Plan	2008	2007
\$ 13,083	\$ 674	\$ 624	\$ 218	\$ 1,914	\$ -	\$ 679	\$ 382,187	\$ 202,750
-	32	29	10	90	-	-	17,230	17,266
-	19	18	6	55	-	-	10,540	37,626
-	59	-	2,455	-	-	-	9,782	10,139
-	17	-	-	-	-	1	3,731	3,391
\$ -	\$ 127	\$ 47	\$ 2,471	\$ 145	\$ -	\$ 1	\$ 41,283	\$ 68,422
-	1,194	1,105	385	3,391	-	-	652,491	713,126
-	2,209	2,046	713	6,275	-	-	1,207,490	1,384,183
-	4,153	3,846	1,341	11,797	-	-	2,270,134	3,029,579
-	2,344	2,171	757	6,658	-	-	1,281,254	919,886
-	233	216	75	662	-	-	127,469	172,883
-	2,231	2,066	720	6,338	-	-	1,219,692	1,022,312
\$ -	\$ 12,364	\$ 11,450	\$ 3,991	\$ 35,121	\$ -	\$ -	\$ 6,758,530	\$ 7,241,969
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 767,805
\$ 13,083	\$ 13,165	\$ 12,121	\$ 6,680	\$ 37,180	\$ -	\$ 680	\$ 7,182,000	\$ 8,280,946
-	145	134	47	412	-	-	79,293	93,409
-	-	-	-	-	-	-	-	767,805
10	-	-	-	-	-	-	584	822
-	10	9	3	28	-	-	5,355	5,189
-	1	1	-	3	-	-	659	351
\$ 10	\$ 156	\$ 144	\$ 50	\$ 443	\$ -	\$ -	\$ 85,891	\$ 867,576
\$ 13,073	\$ 13,009	\$ 11,977	\$ 6,630	\$ 36,737	\$ -	\$ 680	\$ 7,096,109	\$ 7,413,370

## Statement of Changes in Plan Net Assets

for the fiscal year ended June 30, 2008 with Comparative Totals for June 30, 2007

(expressed in thousands)

	State Employees' Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
<b>Additions:</b>						
Contributions:						
Employer Contributions	\$ 101,660	\$ -	\$ 6,643	\$ 2,644	\$ 6,246	\$ 1,492
Transfer of Contributions from PRI Fund	46,856	-	210	350	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	45,761	-	3,221	338	3,270	451
Other	-	-	37	-	-	-
<b>Total Contributions:</b>	<b>\$ 194,277</b>	<b>\$ -</b>	<b>\$ 10,111</b>	<b>\$ 3,332</b>	<b>\$ 9,516</b>	<b>\$ 1,943</b>
<b>Investments:</b>						
Investment Income	102,413	10	3,179	736	1,458	180
Net appreciation (depreciation) in fair value	(193,188)	(3)	(6,308)	(1,775)	(2,776)	(328)
<b>Total Investment Income/(Loss):</b>	<b>\$ (90,775)</b>	<b>\$ 7</b>	<b>\$ (3,129)</b>	<b>\$ (1,039)</b>	<b>\$ (1,318)</b>	<b>\$ (148)</b>
Less Investment Manager/Advisor Fees	(20,706)	(2)	(643)	(150)	(295)	(36)
Less Investment Administrative Expenses	(473)	-	(15)	(3)	(7)	(1)
<b>Net Investment Earnings/(Loss):</b>	<b>\$ (111,954)</b>	<b>\$ 5</b>	<b>\$ (3,787)</b>	<b>\$ (1,192)</b>	<b>\$ (1,620)</b>	<b>\$ (185)</b>
Securities Lending Income	18,348	2	570	132	261	32
Less Borrower Rebates	(16,494)	(2)	(512)	(119)	(235)	(29)
Less Bank Fee	(369)	-	(12)	(3)	(5)	(1)
Total Securities Lending Expense	(16,863)	(2)	(524)	(122)	(240)	(30)
Total Net Securities Lending Income	\$ 1,485	\$ -	\$ 46	\$ 10	\$ 21	\$ 2
<b>TOTAL ADDITIONS</b>	<b>\$ 83,808</b>	<b>\$ 5</b>	<b>\$ 6,370</b>	<b>\$ 2,150</b>	<b>\$ 7,917</b>	<b>\$ 1,760</b>
<b>Deductions:</b>						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Pension Payments	348,070	91	2,882	2,340	836	133
Refunds of Contributions to Members	2,955	-	14	-	267	22
Burial Benefit Payments	4,735	13	7	-	-	-
Administrative expenses	5,613	4	72	9	96	53
<b>TOTAL DEDUCTIONS</b>	<b>\$ 361,373</b>	<b>\$ 108</b>	<b>\$ 2,975</b>	<b>\$ 2,349</b>	<b>\$ 1,199</b>	<b>\$ 208</b>
<b>NET INCREASE/DECREASE</b>	<b>\$ (277,565)</b>	<b>\$ (103)</b>	<b>\$ 3,395</b>	<b>\$ (199)</b>	<b>\$ 6,718</b>	<b>\$ 1,552</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:</b>						
<b>BALANCE BEGINNING OF YEAR</b>	<b>\$ 6,920,607</b>	<b>\$ 720</b>	<b>\$ 208,258</b>	<b>\$ 46,177</b>	<b>\$ 93,256</b>	<b>\$ 11,187</b>
<b>BALANCE END OF YEAR</b>	<b>\$ 6,643,042</b>	<b>\$ 617</b>	<b>\$ 211,653</b>	<b>\$ 45,978</b>	<b>\$ 99,974</b>	<b>\$ 12,739</b>

The notes to the financial statements are an integral part of this Statement.

Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local		State Employees' Closed Post-Retirement Health Insurance Premium Fund	State Police Plan	Totals as of June 30,	
				Gov't Retirement Investment Pool				2008	2007
\$1,045	\$ 715	\$ -	\$ 43,492	\$ -	\$ -	\$ -	\$ 21,267	\$ 185,204	\$ 182,796
-	-	-	-	-	-	-	-	47,416	45,649
-	-	2,905	-	7,287	-	-	-	10,192	18,318
200	203	-	-	-	-	-	24	53,468	50,074
-	-	-	-	-	-	-	1	38	27
\$1,245	\$ 918	\$ 2,905	\$ 43,492	\$ 7,287	\$ -	\$ -	\$ 21,292	\$ 296,318	\$ 296,864
176	193	184	55	828	-	-	98	109,510	117,216
140	(378)	(373)	3,973	(1,006)	-	-	-	(202,022)	909,058
\$ 316	\$ (185)	\$ (189)	\$ 4,028	\$ (178)	\$ -	\$ -	\$ 98	\$ (92,512)	\$1,026,274
(35)	(39)	(37)	(11)	(166)	-	-	-	(22,120)	(21,190)
(1)	(1)	(1)	-	(4)	-	-	-	(506)	(481)
\$ 280	\$ (225)	\$ (227)	\$ 4,017	\$ (348)	\$ -	\$ -	\$ 98	\$ (115,138)	\$1,004,603
31	35	33	10	147	-	-	-	19,601	30,530
(28)	(31)	(29)	(9)	(132)	-	-	-	(17,620)	(28,678)
(1)	(1)	(1)	-	(3)	-	-	-	(396)	(371)
(29)	(32)	(30)	(9)	(135)	-	-	-	(18,016)	(29,049)
\$ 2	\$ 3	\$ 3	\$ 1	\$ 12	\$ -	\$ -	\$ -	\$ 1,585	\$ 1,481
\$1,527	\$ 696	\$ 2,681	\$ 47,510	\$ 6,951	\$ -	\$ -	\$ 21,390	\$ 182,765	\$1,302,948
-	-	-	47,416	-	-	-	-	47,416	45,649
-	-	3,078	-	24,090	34,171	-	-	61,339	2,626
1,393	267	-	-	-	-	-	21,106	377,118	355,308
62	16	-	-	-	-	-	-	3,336	3,466
-	-	-	-	-	-	-	84	4,839	4,231
38	35	-	-	-	-	-	58	5,978	5,313
\$1,493	\$ 318	\$ 3,078	\$ 47,416	\$ 24,090	\$ 34,171	\$ -	\$ 21,248	\$ 500,026	\$ 416,593
\$ 34	\$ 378	\$ (397)	\$ 94	\$ (17,139)	\$ (34,171)	\$ -	\$ 142	\$ (317,261)	\$ 886,355
\$13,039	\$ 12,631	\$ 12,374	\$ 6,536	\$ 53,876	\$ 34,171	\$ -	\$ 538	\$ 7,413,370	\$6,527,015
\$13,073	\$ 13,009	\$ 11,977	\$ 6,630	\$ 36,737	\$ -	\$ -	\$ 680	\$ 7,096,109	\$7,413,370

**Notes to Financial Statements**  
**June 30, 2008**

**1. Plan Descriptions and Contribution Information**

The following State-sponsored plans/funds (the Plans) are established in the Delaware Code:

- State Employees' Pension Plan
- Special Fund
- New State Police Pension Plan
- Judiciary Pension Plans (Closed and Revised)
- County & Municipal Police and Firefighters' Pension Plans
- County & Municipal Other Employees' Pension Plan
- Delaware Volunteer Firemen's Fund
- Diamond State Port Corporation Plan
- Closed State Police Pension Plan

With the exception of the Diamond State Port Corporation Pension Plan, the General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board. The Board of Directors for the Diamond State Port Corporation is responsible for setting benefits and contributions and amending their plan provisions.

The management of all the Plans and Funds in the System is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation of the System is the responsibility of the Office of Pensions. Although most of the assets of the Plans and Funds are commingled for investment purposes, each Plan's or Fund's assets may be used only for the payment of benefits to the members of that Plan or Fund in accordance with the terms of that Plan or Fund. Although separate financial statements are presented for the System as a whole, the System is also considered a component unit of the State of Delaware financial reporting entity.

As of June 30, 2008, the date of the most recent actuarial valuation, employee membership data related to each of the Plans was as follows:

<b>Plan</b>	<b>Retirees Beneficiaries Currently Receiving Benefits</b>	<b>(1)Terminated Employees Entitled to Benefits But Not Receiving Them Yet</b>	<b>Active Participants</b>	<b>Total Membership</b>	<b>Participating Employers</b>
State Employees'	20,266	2,537	34,764	57,567	1
Special	23	-	-	23	N/A
New State Police	71	7	651	729	1
Judiciary	38	-	54	92	1
County & Municipal Police & Firefighters'	36	18	866	920	25
County & Municipal Other Employees'	24	4	427	455	30
Delaware Volunteer Firemen's	1,434	106	5,066	6,606	63
Diamond State Port Corporation	33	13	281	327	1
Closed State Police	547	-	10	557	1
<b>Total Membership:</b>	<b>22,472</b>	<b>2,685</b>	<b>42,119</b>	<b>67,276</b>	<b>123</b>

(1) Includes individuals on long-term disability.

The following are brief descriptions of the individual plans in effect as of June 30, 2008. For a more complete description, please refer to the respective plan documents.

## State Employees' Pension Plan

**Plan Description and Eligibility:** The State Employees' Pension Plan is a cost-sharing single employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

**Service Benefits:** Final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.

**Vesting:** 5 years of credited service.

**Retirement:** Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age.

**Disability Benefits:** Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a disability insurance program offered by the State effective January 1, 2006.

**Survivor Benefits:** If employee is receiving a pension, the eligible survivor receives 50% of pension (or 75% with 3% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 3% of earnings in excess of \$6,000.

**Burial Benefit:** \$7,000 per member.

## Special Fund

**Plan Description and Eligibility:** The Special Fund provides certain benefits granted to individuals identified through legislation passed by the General Assembly.

**Service Benefits:** Defined by special legislation.

**Vesting:** Defined by special legislation.

**Retirement:** Defined by special legislation.

**Disability Benefits:** Defined by special legislation.

**Survivor Benefits:** Same as State Employees' Plan.

**Contributions:** Employer contributions are actuarially determined and fully funded in advance by the General Assembly.

**Burial Benefit:** \$7,000 per member.

## New State Police Pension Plan

**Plan Description and Eligibility:** The New State Police Pension Plan is a single-employer defined benefit plan that covers all State police officers appointed on or after July 1, 1980.

**Service Benefits:** 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

**Vesting:** 10 years of credited service at age 62.

**Retirement:** Age 55 with 10 years of credited service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

**Disability Benefits:**

*Duty - Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

*Duty - Partial Disability* - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

*Non-Duty* - Same as Service Benefits.

**Survivor Benefits:** If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 75% of compensation.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 7% of compensation.

**Burial Benefit:** \$7,000 per member.

## Judiciary Pension Plans (Closed and Revised)

**Plan Description and Eligibility:** The Closed Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed before July 1, 1980.

The Revised Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed on or after July 1, 1980 or members appointed before July 1, 1980 who accept the provisions of this Plan.

Assets of one plan can be used to satisfy the liabilities of the other plan.

**Service Benefits:**

*Closed* - 3% of final average compensation multiplied by years of credited service, subject to maximum and minimum limitations.

*Revised* - 1/24th of final average monthly compensation multiplied by years of service up to 12 years, plus 1/48th of final average monthly compensation, multiplied by years of service from 13 to 24 years, subject to maximum limitations.

For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

**Vesting:** 12 years of credited service.

**Retirement:**

*Closed* - Age 65 with 12 years of credited service, or any age with 24 years of credited service.

*Revised* - Age 62 with 12 years of credited service, or any age with 24 years of credited service.

**Disability Benefits:** Same as Service Benefits.

**Survivor Benefits:**

*Closed* - If employee is receiving a pension, then eligible survivor receives 2/3 of pension; if employee is active with 12 years of credited service, then eligible survivor receives 2/3 of pension the employee would have been eligible to receive.

*Revised* - If employee is receiving a pension, the eligible survivor receives 50% of pension (or 75% with 3% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member - Closed* - \$500 per year for the first 25 years of service.

*Member - Revised* - 3% of earnings that exceed \$6,000 per year, plus 2% of earnings that exceed the Social Security Wage Base for the first 24 years of service.

**Burial Benefit:** Not applicable.

## County & Municipal Police and Firefighters' Pension Plans

**Plan Description and Eligibility:** County & Municipal Police and Firefighters' Pension Plan, both FICA and Non-FICA, are cost-sharing multiple-employer defined benefit plans that cover police officers and firefighters employed by a county or municipality of the State which has become part of the Plan.

**Service Benefits:** 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

**Vesting:** 10 years of credited service.

**Retirement:** Age 62 with 10 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

**Disability Benefits:**

*Duty - Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

*Duty - Partial Disability* - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

*Non-Duty* - Same as Service Benefits.

**Survivor Benefits:** If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 7% of compensation.

**Burial Benefit:** Not applicable.

## County & Municipal Other Employees' Pension Plan

**Plan Description and Eligibility:** County & Municipal Other Employees' Pension Plan is a cost-sharing multiple-employer defined benefit plan that covers employees of counties or municipalities which have become part of the Plan.

**Service Benefits:** 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

**Vesting:** 5 years of credited service.

**Retirement:** Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.

**Disability Benefits:** Same as Service Benefits. Employee must have 5 years of credited service.

**Survivor Benefits:** If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 3% of earnings in excess of \$6,000.

**Burial Benefit:** Not applicable.

## Delaware Volunteer Firemen's Fund

**Plan Description and Eligibility:** The Delaware Volunteer Firemen's Fund is a cost-sharing length of service award plan that covers all actively participating volunteers of fire departments, ladies auxiliaries, or ambulance organizations within the State of Delaware.

**Service Benefits:** \$5 multiplied by years of credited service (not to exceed 25 years) per month.

**Vesting:** 10 years of credited service.

**Retirement:** Age 60 with 10 years credited service.

**Disability Benefits:** Not applicable.

**Survivor Benefits:** Not applicable.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Volunteer Member* - \$60 per member per calendar year.

**Burial Benefit:** Not applicable.

## Diamond State Port Corporation Plan

**Plan Description and Eligibility:** The Diamond State Port Corporation Pension Plan is a single-employer defined benefit plan which covers all employees of the Diamond State Port Corporation.

**Service Benefits:** 1.75% of final average monthly compensation multiplied by the years of credited service (not to exceed 30 years). For this plan, final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the last ten years of employment.

**Vesting:** 5 years of credited service.

**Retirement:** Age 65 with 5 years of credited service; or age (not less than 55 years) plus credited service equals 90.

**Disability Benefits:** Same as Service Benefits. Employee must have 15 years of credited service.

**Survivor Benefits:** If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active with at least 15 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 65.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 2% of compensation.

**Burial Benefit:** Not applicable.

## Closed State Police Pension Plan

**Plan Description and Eligibility:** The Closed State Police Pension Plan is a single-employer defined benefit plan that covers all State police officers appointed before July 1, 1980.

**Service Benefits:** 50% of monthly salary.

**Vesting/Retirement:** 20 years of credited service or age 55.

**Disability Benefits:**

*Duty* - 75% of monthly salary.

*Non-Duty* - Same as Service Benefits.

**Survivor Benefits:** If employee is active or is receiving a service or service-related disability pension, the eligible survivor receives 75% of pension; if employee is receiving a non-service related disability pension, eligible survivor receives 50% of pension.

**Contributions:**

*Employer* - The Closed State Police Plan is funded on a pay-as-you-go basis.

*Member* - 5% of salary with 20 years or less of credited service; 2% of salary with over 20 years credited service.

**Burial Benefit:** \$7,000 per member.

## 2. Fund Descriptions and Contributions

### County & Municipal Police and Firefighters' COLA Fund

During 1990, the State of Delaware passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans. This mechanism allows the State to appropriate funds to a separate COLA Fund managed by the Board of Pension Trustees (Board). The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are transferred to the State and local governments on a per member basis. In 1994, the New State Police Plan began receiving funding for post-retirement increases from the Post-Retirement Increase Fund. Since that time, funds calculated for the State Police membership were re-directed into the COLA Fund. In accordance with 18 *Del. C.* §708(c), when a participating employer grants a post-retirement increase for a plan outside of the State's County & Municipal Plans, funds are transferred from the COLA Fund to the employer. The participating employer must provide funds to match the State's contribution.

### Post-Retirement Increase Fund

The State of Delaware passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in Fiscal Year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate Post-Retirement Increase Fund (PRI) managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from the potential benefit increases. The schedule of Plan Actuarial Methods on page 39 displays the actuarial assumptions of the Plans as of the June 30, 2008 valuation date. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI Fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the Fiscal Year ended June 30, 2008, \$47.4 million was transferred to the appropriate plans in the System.

No post-retirement increase was granted by the General Assembly in Fiscal Year 2007 or 2008. As of June 30, 2008, previously granted post-retirement increases have outstanding liabilities totaling \$79.6 million, which will be funded by the State and transferred to the appropriate plans over the remaining three fiscal years as follows:

Fiscal Year 2009	\$ 39,334,000
Fiscal Year 2010	\$ 26,457,000
Fiscal Year 2011	\$13,825,000

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for Fiscal Year 2008 was 2.52% of covered payroll. Funding for Fiscal Year 2009 will be 2.20%.

### **Local Government Retirement Investment Pool**

In June 1996, the State of Delaware established the Delaware Local Government Retirement Investment Pool (DEL RIP) in the custody of the Board to allow local governments within the State of Delaware the option to pool their pension assets with the System for investment purposes. The DEL RIP is an external investment pool that allows local governments to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were four participating entities in DEL RIP as of June 30, 2008, which comprise the pool in its entirety: Sussex County, City of Dover, and the Towns of Elsmere and Newport.

During Fiscal Year 2008, the investments of two local governments (Kent County and Sussex County) maintained for other post retirement benefits aggregating \$24.1 million were transferred from the pool and outside of the System to the Delaware OPEB Fund Trust which is separately reported by the State of Delaware. Schedules of net assets and changes in net assets may be found in the Supporting Schedules section of this report (pages 56-57). No separate comprehensive annual report is issued for this pool.

DEL RIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any legally binding guarantees during the year to support the value of shares. The fair value of the shares in the pool is determined in the same manner as the value of the Master Trust shares (see page 39). Since this pool is a portion of the total System, the same accounting and investment policies described in the following financial footnotes apply.

### **State Employees' Post-Retirement Health Insurance Premium Fund**

On July 1, 2007, a separate trust fund for Other Post-Employment Benefits (OPEB), the Delaware OPEB Fund Trust, was created by the State of Delaware to accumulate and invest assets to pay the State share of future retiree health insurance premiums. The assets of the State Employees' Post-Retirement Health Insurance Premium Fund (aggregating \$34.2 million) were transferred out of the System and into the Delaware OPEB Fund Trust during Fiscal Year 2008. Fiscal Year 2008 funding was 0.54% of covered payroll. Funding for Fiscal Year 2009 will range between 0.54% and 0.81% of covered payroll. These funding rates are not actuarially determined. The reporting for the Delaware OPEB Fund Trust is reported separately in the Comprehensive Annual Financial Report for the State of Delaware, and therefore is no longer a part of the System's financial statements.

### 3. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial statements are presented on the accrual basis. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan or Fund.

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

#### Method Used to Estimate Values

Management of the System has made certain estimates and assumptions relative to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Readily priced investments are reported at fair value by the custodian bank under the direction of the Board. The custodian utilizes multiple valuation services to reach its fair value determination. Investments for which market quotations are not readily available (“alternative investments”) are valued in good faith at fair value by the investment managers after giving consideration to operating performance, comparable sales, fund raising values, or other pertinent info. These values are reviewed by Pension Office staff and its investment advisor; both management and the custodian receive periodic and audited annual financial reports from the alternative fund managers.

Investments in venture capital and other alternative assets tend to be illiquid and the underlying assets are generally not publicly-traded companies. Because of the inherent uncertainty in valuing privately held securities, the fair value may differ from the values that would have been used had a ready market for such securities existed, and the difference can be material. Accordingly, the realized value received upon the sale of the asset may differ from the recorded fair value.

#### New Accounting Pronouncements

GASB Statement 43: *Post-Employment Benefit Plans other than Pensions*. This Statement establishes accounting and financial reporting standards for plans that provide other post-employment benefits (OPEB) other than pension benefits (for example, health insurance and life insurance). The assets of the former State Employees’ Health Insurance Premium Fund were transferred during Fiscal Year 2008 out of the system and into the new Delaware OPEB Fund Trust. The Delaware OPEB Fund Trust was created to invest contributions from the State of Delaware (the employer providing health care) which will be used at some time in the future to pay retiree health care premiums. Responsibility for providing health care rests with the employer, the State of Delaware.

GASB Statement 45: *Employer Accounting for Other Post-employment Benefits*. This Statement addresses how state and local government employers should account for and report their costs and obligations related to OPEB, including post-employment healthcare and other non-pension benefits. While not directly affected by this Statement, the Pension Office assists the State in its reporting of

OPEB activities under both Statement 43 and Statement 45 in the Comprehensive Annual Financial Report of the State of Delaware.

GASB Statement 50: *Pension Disclosures*. This Statement amends previous guidance on disclosures for defined benefit pension plans and is intended to improve the transparency and usefulness of reported information about public pension plans. DPERS has complied with GASB Statement 50 by including additional disclosures on the current funding status of the pension plans within the Notes to the Financial Statements.

### Investments

All of the investment assets of the Plans and Funds, with the exception of the Closed State Police Pension Plan (which is a pay-as-you-go plan) and the Delaware Volunteer Firemen's Fund (which is a length of service award plan), are pooled and invested in a common Master Trust. Each of the Plans or Funds described herein shares in the Master Trust based on funds contributed and earnings/(losses) allocated.

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchanges when available. Pooled investments represent allocations to commingled equity, bond, and cash funds. Alternative investments include non-traditional investments, some of which may be illiquid, such as limited partnerships, venture capital funds, or private LLCs. Alternative investment values of \$1,281.3 million (18.1% of the net asset value as of June 30, 2008) are valued based on estimated fair value amounts established by valuation committees. Most of these investments are reported on a one-quarter lag adjusted for cash flows as of June 30, 2008.

Pooled investments are funds wherein the System owns units or shares of commingled assets. As of June 30, 2008, the fair value of these investments totalled \$2,270.1 million. The asset allocation was \$39 thousand cash & equivalents, \$606.7 million domestic fixed income, \$798.1 million domestic equity, \$224.1 million international fixed income, and \$641.2 million international equity.

At the close of the fiscal year, separate accounts were maintained in short-term investment funds to meet the cash-flow and investment needs of the Closed State Police Plan and the Delaware Volunteer Firemen's Fund.

### Administrative Expenses

General expenses for the administration of the System are budgeted and approved as part of the annual State budget process and are paid from the assets of the System. Expenses for some professional services, including outside legal counsel, auditor, investment manager, investment advisor, and actuarial services are paid directly from the System. The Board does, however, review and approve proposals for one-time, special projects as they arise.

#### 4. Current Funded Status of the Plans

The funded status of each pension plan as of June 30, 2008, the most recent actuarial valuation date, is as follows:

*(dollar values expressed in thousands)*

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL
							as a % of Covered Payroll (3)/(5)
State Employees'	30-Jun-2008	\$ 6,751,949	\$ 6,549,856	\$ (202,093)	103.1%	\$ 1,711,473	(11.8%)
Special	30-Jun-2008	614	492	(122)	124.8%	N/A	N/A
New State Police	30-Jun-2008	216,368	214,921	(1,447)	100.7%	47,971	(3.0%)
Judiciary	30-Jun-2008	47,209	55,856	8,647	84.5%	9,689	89.2%
County & Municipal Police and Firefighters'	30-Jun-2008	102,423	103,911	1,488	98.6%	49,328	3.0%
County & Municipal Other Employees'	30-Jun-2008	12,980	14,308	1,328	90.7%	18,632	7.1%
Diamond State Port Corporation	30-Jun-2008	13,391	14,139	748	94.7%	10,270	7.3%
Closed State Police+	30-Jun-2008	618	299,912	299,294	0.2%	1,152	25,980.4%

							UAAL Active Members	UAAL Per Active Member**
Delaware Volunteer Firemen's	30-Jun-2008	\$ 12,972	\$ 25,719	\$ 12,747	50.4%	5,066	\$ 2,516	

+ The Closed State Police Plan is a pay-as-you-go plan.

++ Not expressed in thousands.

The Schedules of Funding Progress, presented on pages 46-48 as required supplementary information (RSI) following the Notes to the Financial Statements, present multi-year trend information and demonstrate whether the actuarial values of plan assets are increasing or decreasing relative to the actuarial accrued liability (AAL) for benefits over the previous ten-year period.

## 5. Plan Actuarial Methods

The chart shown below summarizes the actuarial assumptions and methods used to determine the funded status of the plans and is presented as of the last actuarial valuation date, June 30, 2008.

<b>Plan</b>	<b>State Employees'</b>	<b>Special</b>	<b>New State Police</b>	<b>Judiciary</b>	<b>Closed State Police</b>
Valuation Date	30-Jun-2008	30-Jun-2008	30-Jun-2008	30-Jun-2008	30-Jun-2008
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases and Open for Aggregate Gain/Loss	N/A	Level Percent Closed	Level Percent Closed	Level Dollar Closed
Remaining Amortization Period	20.0 <sup>(1)</sup> years	N/A	20.0 <sup>(1)</sup> years	14.1 <sup>(1)</sup> years	29 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
<b>Actuarial Assumptions:</b>					
Investment rate of return	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	4.3% to 10.1%	N/A	4.8% to 16.7%	4.3% to 13.1%	4.8% to 5.3%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

<b>Plan</b>	<b>County &amp; Municipal Police and Firefighters'</b>	<b>County &amp; Municipal Other Employees'</b>	<b>Delaware Volunteer Firemen's</b>	<b>Diamond State Port Corporation</b>
Valuation Date	30-Jun-2008	30-Jun-2008	30-Jun-2008	30-Jun-2008
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	20 years	16 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
<b>Actuarial Assumptions:</b>				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	4.3% to 15.7%	4.3% to 10.1%	N/A	4.8%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc

<sup>1</sup> Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from the Post-Retirement Increase Fund. Each COLA is funded over 5 years.

## 6. Deposits and Investments

### Investment Policy

There are no State statutes limiting allowable investments for the System. The investment decisions are dictated by the prudent person rule and the internal investment guidelines established by the Board as outlined below:

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one-market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks
- Control exposure in illiquid asset classes
- Review, re-examine, and reconfirm the operation of results of the investment process regularly
- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital markets expectations.

For the Fiscal Year ended June 30, 2008, management of the System believes it has operated in all material respects in accordance with these policies.

### Securities Lending

The System entered into a contract with its custodian during Fiscal Year 2007 to participate in its securities lending program. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. Income expected is commensurate with the market demand for the stocks, bonds, and other securities made available by the System and the return earned on the investment of cash collateral. In December 2007, the Investment Committee and Board voted to withdraw from the securities lending program, primarily because of concern for current market conditions and counterparty risk. As of June 30, 2008, all loaned securities were returned to the custodied accounts, and no program collateral was held. The System intends to return to the program at some time in the future when market conditions are deemed to be more favorable.

Cash collateral received was invested in a high-quality investment program provided by the custodian that emphasized the return of principal, maintained required daily liquidity, and ensured diversification across approved investment types. The Investment Committee regularly reviewed the status of the program, including the approved list of borrowers.

The program allowed the System securities to be loaned for cash, US government securities, and irrevocable letters of credit. Domestic securities were loaned for collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities were loaned for collateral valued at 105% of the market value of the securities plus any accrued interest. For the first half of Fiscal Year 2008, the System earned \$1.6 million from the securities lending program.

## Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2008. It is the System's policy to classify corporate convertible bonds as equity securities on the Statement of Net Assets on pages 24-25 because these securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$732.3 million have been included in the chart below as they have maturity dates and are exposed to interest rate risk.

### Investment Maturities (in Years)

(expressed in thousands)

Investment Type	Fair Value	Less				Not	
		than 1	1 - 6	6 - 10	10 +	Determined	
Asset Backed Securities	\$ 28,146	\$ -	\$ 6,609	\$ 3,039	\$ 18,498	\$ -	
Cash Equivalents	293,974	293,974	-	-	-	-	
Commercial Mortgage-Backed	45,820	-	597	-	45,223	-	
Corporate Bonds	364,094	11,289	81,499	90,640	180,666	-	
Corporate Convertible Bonds	732,254	31,045	445,467	45,700	210,042	-	
Government Agencies	51,602	8,848	22,249	18,388	2,117	-	
Government Bonds	82,506	-	37,434	17,340	27,732	-	
Government Mortgage Backed Securities	142,424	-	106	2,007	113,056	27,255	
Government Issued Commercial Mortgage-Backed	497	-	-	-	497	-	
Municipal/Provincial Bonds	30,487	4,722	18,473	1,799	5,493	-	
Non-Government Backed C.M.O.s	34,384	-	515	1,486	32,383	-	
Pooled Investments	830,859	-	254,764	312,491	178	263,426	
<b>Total:</b>	<b>\$ 2,637,047</b>	<b>\$ 349,878</b>	<b>\$ 867,713</b>	<b>\$ 492,890</b>	<b>\$ 635,885</b>	<b>\$ 290,681</b>	

## Interest Rate Risk

The State has delegated investment policy for the System to the Board and its Committees. The Investment Committee sets its own guidelines in conjunction with the Board to manage and review the System's exposure to fluctuating interest rates. Interest rate risk is a consideration when establishing and reviewing investment manager guidelines and asset allocation. Both topics are included in the statement of Investment Policies and Objectives which are published on the System's web site.

## Custodial Credit Risk

Of the System's \$382.2 million bank balance, there are two accounts which are uninsured and uncollateralized. Pooled deposits of \$671 thousand are held by the State Treasurer's Office. The balance of \$381.5 million represents deposits in short-term investments held by The Northern Trust Co., the custodial bank as of June 30, 2008.

### Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2008, the System's fixed income investments and cash equivalents had the following credit risk characteristics:

<b>Moody's Ratings</b>	<b>Percent of Total Fund</b>	<b>Market Value (expressed in thousands)</b>
AAA to A	18.1%	\$1,284,354
BBB to B	6.3%	445,186
CCC to C	0.7%	47,494
Less than C	0.0%	1,244
U.S. Government Guaranteed	2.0%	144,622
Not Rated	10.1%	714,147
<b>Total:</b>	<b>37.2%</b>	<b>\$2,637,047</b>

### Investments in Excess of 5% of Net Assets Held in Trust for Pension Benefits

As of June 30, 2008, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets. The System did hold in excess of 5% of its fair value in the Mellon Capital Global Tactical Asset Allocation Fund, \$1,137.8 million, and the Mellon Capital Tactical Asset Allocation Fund, \$378.2 million.

### Management Fees

The System paid \$20.1 million and \$16.9 million in management fees to the venture capital limited partnerships for the Fiscal Years ended June 30, 2008 and 2007, respectively. These fees are netted against investment income.

### Investment Commitments

The System has commitments to invest up to an additional \$754.0 million in venture capital limited partnerships in varying amounts as of June 30, 2008, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

In addition, at the close of Fiscal Year 2008, the System established the First State Independence Fund I, LLC, a hedge fund-of-funds of which the System currently is the only member. On June 30, 2008, the System transferred \$123.5 million of cash to the fund managers for investment in Fiscal Year 2009.

## Foreign Investments

Foreign investments include equity securities, bonds, and cash and cash equivalents. The following is a listing of foreign assets included in the Statement of Plan Net Assets as of June 30, 2008. The listing includes \$23.8 million of investments of domestic issuers which have been classified as domestic on the Statement of Plan Net Assets, but are denominated in a foreign currency.

## Currency Risk

(expressed in thousands)

Currency	Fair Value in U.S. Dollars	Cash and Cash		
		Equities	Fixed Income	Equivalents
Australian dollar	\$ 27,663	\$ 16,983	\$ 10,625	\$ 55
Brazilian real	8,764	-	8,764	-
British pound sterling	86,963	84,074	1,568	1,321
Canadian dollar	52,867	20,812	31,813	242
Danish krone	12,387	12,387	-	-
Euro	346,661	328,606	14,966	3,089
Hong Kong dollar	23,450	23,450	-	-
Iceland krona	5,124	-	5,124	-
Indonesian rupiah	3,747	-	3,747	-
Japanese yen	122,452	122,335	-	117
Mexican peso	9,976	-	9,546	430
New Zealand dollar	13,360	-	13,360	-
Norwegian krone	36,072	36,058	-	14
Singapore dollar	24,117	11,442	12,674	1
South Korean won	9,645	9,645	-	-
Swedish krona	26,679	26,628	-	51
Swiss franc	62,403	62,331	-	72
Thai baht	6,146	-	6,146	-
United Arab Emirates dirham	1,080	1,080	-	-
<b>Total Foreign Currencies</b>	<b>879,556</b>	<b>755,831</b>	<b>118,333</b>	<b>5,392</b>
Foreign issued investments denominated in U.S. Dollars	496,818	463,861	32,957	-
Pooled international investments denominated in U.S. Dollars	865,369	641,228	224,141	-
<b>Total:</b>	<b>\$ 2,241,743</b>	<b>\$ 1,860,920</b>	<b>\$ 375,431</b>	<b>\$ 5,392</b>

## Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels, or currency exchange rates. In June 1994, the Board adopted a formal written policy on the use of derivatives which is reviewed periodically. This policy, as amended, was incorporated in the formalized investment policy adopted by the Board during Fiscal Year 2007 and reviewed during Fiscal Year 2008. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. So-called "exotic" derivatives are not used. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

The following lists principal categories of derivatives and their uses during the year:

<b>Category</b>	<b>Purpose</b>
Foreign exchange forward contracts	Hedge currency risk of investments denominated in foreign currencies; enhance return
Exchange traded futures contracts	Reduce transaction costs; hedge equity market risk; control fixed income; portfolio duration; enhance return
Exchange traded options contracts	Enhance return; reduce transaction costs
Asset backed securities	Enhance return
Total return equity swaps	Hedge equity market risk exposure

Generally, derivatives are subject both to market risk and counterparty risk. The derivatives utilized by the System typically have no greater risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio (for example, a short S&P 500 futures contract partially hedging a long position in S&P 500 securities). Counterparty risk, the risk that the "other party" to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMOs), commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

The Investment Committee monitors the System's derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition.

## Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk inherent in investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the statement of plan net assets.

The actuarial accrued plan liabilities are measured based on assumptions pertaining to the interest rates, inflation rates and employee demographic behavior in future years. While these assumptions have been chosen after review of past history of the covered participants, it is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

## 7. Tax Status

The System currently operates seven of its plans as tax qualified governmental retirement plans under the Internal Revenue Code (“IRC”). The System has completed an in depth review of its seven qualified retirement plans, the Firemen’s Fund and the Special Fund, as established in the Delaware Code, for compliance with the IRC and its rules, regulations and interpretive opinions. The System believes that the plans are designed and are currently being operated in compliance with the applicable requirements of the IRC. The Internal Revenue Service (“IRS”) has established a new program whereby governmental plans, like other tax-qualified section 401(a) plans, may request a determination letter as to whether the form of the plan document satisfies the applicable tax qualification requirements. Under the new staggered determination letter process, governmental plans seeking determination letters (“Determination Letters”) must file requests to the IRS during Cycle C which is currently open and runs from February 1, 2008, until January 31, 2009. The System has submitted its seven tax qualified plans to the IRS for review during Cycle C, and has requested the IRS provide Determination Letters that its plans are appropriately designed and operating in accordance with applicable sections of the IRC as tax qualified government retirement plans. Management will amend plan language or any operational procedures, as necessary, to be in compliance with the IRC.

The Delaware Volunteer Firemen’s Fund is a length of service award plan. The System believes that the plan is designed and is currently being operated in compliance with the applicable requirements of IRC section 457(e)(11). The System has applied for a Private Letter Ruling in this regard. The Special Fund was established by legislation to provide benefits to specific individuals through legislation passed by the General Assembly. There currently are 23 beneficiaries of the Special Fund. The System will also submit the Special Fund for review by the IRS during the Cycle C process. Management will amend plan language or operational procedures, as necessary, to comply with any issues identified by the IRS.

## Required Supplementary Information

## Schedule 1 - Schedule of Funding Progress

*(dollar values expressed in thousands)**(unaudited)*

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
State Employees'	30-Jun-2008	\$ 6,751,949	\$ 6,549,856	\$ (202,093)	103.1%	\$ 1,711,473	(11.8%)
	30-Jun-2007	6,437,916	6,208,025	(229,891)	103.7%	1,654,609	(13.9%)
	30-Jun-2006	5,998,746	5,901,072	(97,674)	101.7%	1,589,185	(6.1%)
	30-Jun-2005	5,660,057	5,572,719	(87,338)	101.6%	1,471,931	(5.9%)
	30-Jun-2004	5,387,560	5,229,927	(157,633)	103.0%	1,399,279	(11.3%)
	30-Jun-2003	5,125,442	4,794,944	(330,498)	106.9%	1,355,800	(24.4%)
	30-Jun-2002	4,956,156	4,521,732	(434,424)	109.6%	1,351,112	(32.2%)
	30-Jun-2001	4,759,031	4,232,244	(526,787)	112.4%	1,270,632	(41.5%)
	30-Jun-2000	4,409,079	3,769,596	(639,483)	117.0%	1,198,626	(53.4%)
	30-Jun-1999	3,888,852	3,350,127	(538,725)	116.1%	1,125,857	(47.9%)
Special	30-Jun-2008	\$ 614	\$ 492	\$ (122)	124.8%	\$ N/A	N/A
	30-Jun-2007	673	530	(143)	127.0%	N/A	N/A
	30-Jun-2006	758	704	(54)	107.7%	N/A	N/A
	30-Jun-2005	855	791	(64)	108.1%	N/A	N/A
	30-Jun-2004	933	785	(148)	118.9%	N/A	N/A
	30-Jun-2003	1,009	768	(241)	131.4%	N/A	N/A
	30-Jun-2002	1,832	742	(1,090)	246.9%	N/A	N/A
	30-Jun-2001	1,866	993	(873)	187.9%	N/A	N/A
	30-Jun-2000	1,834	834	(1,000)	219.9%	N/A	N/A
	30-Jun-1999	1,720	826	(894)	208.2%	N/A	N/A
New State Police	30-Jun-2008	\$ 216,368	\$ 214,921	\$ (1,447)	100.7%	\$ 47,971	(3.0%)
	30-Jun-2007	194,560	195,811	1,251	99.4%	46,924	2.7%
	30-Jun-2006	169,824	170,877	1,053	99.4%	43,579	2.4%
	30-Jun-2005	150,209	149,657	(552)	100.4%	39,645	(1.4%)
	30-Jun-2004	134,507	128,932	(5,575)	104.3%	36,718	(15.2%)
	30-Jun-2003	120,457	106,272	(14,185)	113.3%	31,778	(44.6%)
	30-Jun-2002	109,615	91,928	(17,687)	119.2%	30,281	(58.4%)
	30-Jun-2001	99,138	80,040	(19,098)	123.9%	27,624	(69.1%)
	30-Jun-2000	86,810	68,367	(18,443)	127.0%	25,558	(72.2%)
	30-Jun-1999	72,425	54,713	(17,712)	132.4%	23,518	(75.3%)

## Required Supplementary Information (continued)

## Schedule 1 - Schedule of Funding Progress (continued)

(dollar values expressed in thousands)  
(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Judiciary	30-Jun-2008	\$ 47,209	\$ 55,856	\$ 8,647	84.5%	\$ 9,689	89.2%
	30-Jun-2007	43,050	53,686	10,636	80.2%	9,825	108.3%
	30-Jun-2006	38,407	50,177	11,770	76.5%	9,397	125.3%
	30-Jun-2005	35,112	44,079	8,967	79.7%	8,475	105.8%
	30-Jun-2004	32,841	38,864	6,023	84.5%	7,672	78.5%
	30-Jun-2003	30,961	32,319	1,358	95.8%	7,173	18.9%
	30-Jun-2002	29,049	30,122	1,073	96.4%	7,329	14.6%
	30-Jun-2001	27,231	29,635	2,404	91.9%	6,371	37.7%
	30-Jun-2000	24,884	28,108	3,224	88.5%	5,794	55.6%
	30-Jun-1999	21,256	25,402	4,146	83.7%	5,673	73.1%
County & Municipal Police and Firefighters'	30-Jun-2008	\$ 102,423	\$ 103,911	\$ 1,488	98.6%	\$ 49,328	3.0%
	30-Jun-2007	87,395	89,022	1,627	98.2%	45,059	3.6%
	30-Jun-2006	72,120	72,832	712	99.0%	38,342	1.9%
	30-Jun-2005	59,711	61,335	1,624	97.4%	33,389	4.9%
	30-Jun-2004	48,893	45,204	(3,689)	108.2%	27,930	(13.2%)
	30-Jun-2003	41,228	36,698	(4,530)	112.3%	24,128	(18.8%)
	30-Jun-2002	35,053	30,344	(4,709)	115.5%	21,342	(22.1%)
	30-Jun-2001	29,389	29,465	76	99.7%	19,605	0.4%
	30-Jun-2000	23,496	23,582	86	99.6%	18,011	0.5%
	30-Jun-1999	17,272	17,697	425	97.6%	15,230	2.8%
County & Municipal Other Employees	30-Jun-2008	\$ 12,980	\$ 14,308	\$ 1,328	90.7%	\$ 18,632	7.1%
	30-Jun-2007	10,405	11,578	1,173	89.9%	16,183	7.2%
	30-Jun-2006	8,529	9,222	693	92.5%	13,027	(5.3%)
	30-Jun-2005	7,048	6,722	(326)	104.8%	9,737	(3.3%)
	30-Jun-2004	4,275	3,340	(935)	128.0%	7,474	(12.5%)
	30-Jun-2003	3,602	3,332	(270)	108.1%	6,209	(4.3%)
	30-Jun-2002	3,033	2,816	(217)	107.7%	2,545	(8.5%)
	30-Jun-2001	2,794	2,962	168	94.3%	2,292	7.3%
	30-Jun-2000	2,410	2,604	194	92.5%	2,004	9.7%
	30-Jun-1999	1,783	2,272	489	78.5%	1,706	28.7%

## Required Supplementary Information (continued)

## Schedule 1 - Schedule of Funding Progress (continued)

(dollar values expressed in thousands)  
(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Diamond State Port Corporation	30-Jun-2008	\$ 13,391	\$ 14,139	\$ 748	94.7%	\$ 10,270	7.3%
	30-Jun-2007	11,911	13,604	1,693	87.6%	11,213	15.1%
	30-Jun-2006	10,361	12,738	2,377	81.3%	11,130	21.4%
	30-Jun-2005	8,948	9,732	784	91.9%	9,248	8.5%
	30-Jun-2004	8,140	9,049	909	90.0%	8,950	10.2%
	30-Jun-2003	7,328	7,056	(272)	103.9%	8,636	(0.1%)
	30-Jun-2002	6,675	6,617	(58)	100.9%	9,354	(0.6%)
	30-Jun-2001	6,044	5,618	(426)	107.6%	8,788	(4.8%)
	30-Jun-2000	5,188	5,222	34	99.3%	7,715	0.4%
	30-Jun-1999	4,171	4,951	780	84.2%	7,637	10.2%
Closed State Police+	30-Jun-2008	\$ 618	\$ 299,912	\$ 299,294	0.2%	\$ 1,152	25,980.4%
	30-Jun-2007	514	297,183	296,669	0.2%	1,695	17,502.6%
	30-Jun-2006	1,663	294,149	292,486	0.6%	1,912	15,297.4%
	30-Jun-2005	749	283,902	283,153	0.3%	2,579	10,979.2%
	30-Jun-2004	2,979	285,044	282,065	1.0%	2,608	10,815.4%
	30-Jun-2003	2,322	318,250	315,928	0.7%	2,869	11,011.8%
	30-Jun-2002	2,036	318,687	316,651	0.6%	3,105	10,198.1%
	30-Jun-2001	1,749	306,194	304,445	0.6%	3,247	9,376.2%
	30-Jun-2000	1,468	302,795	301,327	0.5%	3,888	7,750.2%
	30-Jun-1999	1,164	304,438	303,274	0.4%	4,930	6,151.6%
						<b>Active Members</b>	<b>**UAAL Per Active Member</b>
Delaware	30-Jun-2008	\$ 12,972	\$ 25,719	\$ 12,747	50.4%	5,066	\$ 2,516
Volunteer	30-Jun-2007	12,225	24,809	12,584	49.3%	5,170	2,434
Firemen's	30-Jun-2006	11,340	23,925	12,585	47.4%	5,160	2,439
	30-Jun-2005	10,665	22,913	12,248	46.5%	5,106	2,399
	30-Jun-2004	10,121	21,950	11,829	46.1%	5,055	2,340
	30-Jun-2003	9,644	15,619	5,975	61.7%	4,933	1,211
	30-Jun-2002	9,333	14,940	5,607	62.5%	4,856	1,155
	30-Jun-2001	9,022	13,837	4,815	65.2%	4,769	1,010
	30-Jun-2000	8,412	13,703	5,291	61.4%	4,579	1,155
30-Jun-1999	7,447	13,077	5,630	56.9%	4,706	1,196	

+ The Closed State Police Plan is a pay-as-you-go plan.

++Not expressed in thousands

## Required Supplementary Information (continued)

### Schedule 2 - Schedule of Employer Contributions

(dollar values expressed in thousands)

(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees <sup>**</sup>	30-Jun-2008	\$ 101,660	100.0%
	30-Jun-2007	97,000	100.0%
	30-Jun-2006	91,013	100.0%
	30-Jun-2005	70,638	100.0%
	30-Jun-2004	57,459	100.0%
	30-Jun-2003	40,175	100.0%
	30-Jun-2002	18,148	100.0%
	30-Jun-2001	20,542	100.0%
	30-Jun-2000	43,433	100.0%
	30-Jun-1999	52,338	100.0%
Special	30-Jun-2008	\$ -	N/A
	30-Jun-2007	-	N/A
	30-Jun-2006	-	N/A
	30-Jun-2005	-	N/A
	30-Jun-2004	-	N/A
	30-Jun-2003	-	N/A
	30-Jun-2002	-	N/A
	30-Jun-2001	-	N/A
	30-Jun-2000	-	N/A
	30-Jun-1999	-	N/A
New State Police <sup>*</sup>	30-Jun-2008	\$ 6,643	100.0%
	30-Jun-2007	6,334	100.0%
	30-Jun-2006	5,276	100.0%
	30-Jun-2005	3,785	100.0%
	30-Jun-2004	3,125	100.0%
	30-Jun-2003	2,786	100.0%
	30-Jun-2002	2,476	100.0%
	30-Jun-2001	2,480	100.0%
	30-Jun-2000	2,585	100.0%
	30-Jun-1999	2,624	100.0%

\* Annual Required Contributions do not include Post-Retirement Increase funding (see Note 2 to the Basic Financial Statements).

## Required Supplementary Information (continued)

## Schedule 2 - Schedule of Employer Contributions (continued)

(dollar values expressed in thousands)

(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Judiciary*	30-Jun-2008	\$ 2,644	100.0%
	30-Jun-2007	2,495	100.0%
	30-Jun-2006	2,002	100.0%
	30-Jun-2005	1,391	100.0%
	30-Jun-2004	1,235	100.0%
	30-Jun-2003	1,342	100.0%
	30-Jun-2002	1,399	100.0%
	30-Jun-2001	1,333	100.0%
	30-Jun-2000	1,666	100.0%
	30-Jun-1999	1,327	100.0%
County & Municipal Police and Firefighters'	30-Jun-2008	\$ 6,246	100.0%
	30-Jun-2007	5,780	100.0%
	30-Jun-2006	5,488	100.0%
	30-Jun-2005	5,627	100.0%
	30-Jun-2004	3,179	100.0%
	30-Jun-2003	2,931	100.0%
	30-Jun-2002	2,779	100.0%
	30-Jun-2001	2,664	100.0%
	30-Jun-2000	2,771	100.0%
	30-Jun-1999	2,025	100.0%
County & Municipal Other Employees'	30-Jun-2008	\$ 1,492	100.0%
	30-Jun-2007	820	100.0%
	30-Jun-2006	734	100.0%
	30-Jun-2005	2,271	100.0%
	30-Jun-2004	321	100.0%
	30-Jun-2003	248	100.0%
	30-Jun-2002	92	100.0%
	30-Jun-2001	165	100.0%
	30-Jun-2000	352	100.0%
	30-Jun-1999	158	100.0%

\* Annual Required Contributions do not include Post-Retirement Increase funding  
(see Note 2 to the Basic Financial Statements).

## Required Supplementary Information (continued)

### Schedule 2 - Schedule of Employer Contributions (continued)

(dollar values expressed in thousands)  
(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Delaware Volunteer Firemen's	30-Jun-2008	\$ 1,553	67.3%
	30-Jun-2007	1,528	64.0%
	30-Jun-2006	1,464	61.4%
	30-Jun-2005	1,403	57.7%
	30-Jun-2004	694	100.0%
	30-Jun-2003	667	100.0%
	30-Jun-2002	586	100.0%
	30-Jun-2001	618	100.0%
	30-Jun-2000	645	100.0%
	30-Jun-1999	660	100.0%
Diamond State Port Corporation	30-Jun-2008	\$ 715	100.0%
	30-Jun-2007	626	100.0%
	30-Jun-2006	703	100.0%
	30-Jun-2005	352	100.0%
	30-Jun-2004	346	100.0%
	30-Jun-2003	333	100.0%
	30-Jun-2002	341	100.0%
	30-Jun-2001	386	100.0%
	30-Jun-2000	389	100.0%
	30-Jun-1999	407	100.0%
Closed State Police	30-Jun-2008	\$ 25,337	83.9%
	30-Jun-2007	24,912	76.9%
	30-Jun-2006	24,623	83.9%
	30-Jun-2005	24,358	69.9%
	30-Jun-2004	27,747	70.2%
	30-Jun-2003	27,654	68.0%
	30-Jun-2002	27,831	64.0%
	30-Jun-2001	27,709	62.0%
	30-Jun-2000	28,208	57.5%
	30-Jun-1999	28,716	54.5%

\* Annual Required Contributions do not include Post-Retirement Increase funding  
(see Note 2 to the Basic Financial Statements).

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# Delaware Public Employees' Retirement System



— a component unit of the State of Delaware

Supporting Schedules

## Schedule 3 – Schedule of Administration Expenses

*(dollar values expressed in thousands)*

		Fiscal 2008	Fiscal 2007	Change	
				Dollars	Percent
<b>Personnel Services:</b>	Salaries	\$ 2,128	\$ 2,285	\$ (157)	(6.9%)
	Fringe Benefits	945	967	(22)	(2.3%)
	<b>Total Personnel Services:</b>	\$ 3,073	\$ 3,252	\$ (179)	(5.5%)
<b>Professional Services:</b>	Actuarial	142	153	(11)	(7.2%)
	Audit	146	145	1	0.7%
	Legal	136	114	22	19.3%
	Medical Services	19	17	2	11.8%
	State Agency Support Services	22	19	3	15.8%
	Other Professional Services	5	4	1	25.0%
	<b>Total Professional Services:</b>	\$ 470	\$ 452	\$ 18	4.0%
<b>Communication:</b>	Printing	84	56	28	50.0%
	Telephone	19	27	(8)	(29.6%)
	Postage	169	144	25	17.4%
	Travel	25	22	3	13.6%
	Other Communications	35	25	10	40.0%
	<b>Total Communications:</b>	\$ 332	\$ 274	\$ 58	21.2%
<b>Data Processing:</b>	Contracting Services	229	137	92	67.2%
	Training	13	-	13	100.0%
	Maintenance	298	275	23	8.4%
	Equipment - Hardware	49	304	(255)	(83.9%)
	Equipment - Software	74	14	60	428.6%
	<b>Total Data Processing:</b>	\$ 663	\$ 730	\$ (67)	(9.2%)
<b>Rental:</b>	Equipment Leasing	6	7	(1)	(14.3%)
	Fleet Services	7	6	1	16.7%
	Office Space	513	484	29	6.0%
<b>Total Rentals:</b>	\$ 526	\$ 497	\$ 29	5.8%	
<b>Miscellaneous:</b>	Supplies and Equipment	22	40	(18)	(45.0%)
	Maintenance	2	7	(5)	(71.4%)
	Continuing Education	3	2	1	50.0%
	Other Miscellaneous	5	8	(3)	(37.5%)
	<b>Total Miscellaneous:</b>	\$ 32	\$ 57	\$ (25)	(43.8%)
<b>General Administration Expenses:</b>	\$ 5,096	\$ 5,262	\$ (166)	(3.2%)	
<b>Special Projects:</b>	Best Practices Review	34	51	(17)	(33.3%)
	Imaging System Installation	762	-	762	100.0%
	Financial Reporting System	86	-	86	100.0%
	<b>Total Special Projects:</b>	\$ 882	\$ 51	\$ 831	1629.4%
<b>Grand Total Administration Expenses:</b>	\$ 5,978	\$ 5,313	\$ 665	12.5%	

*See accompanying independent auditors report.*

## Schedule 4 – Schedule of Investment Expenses

*(dollar values expressed in thousands)*

	Fiscal 2008	Fiscal 2007	Change	
			Dollars	Percent
Custody Fees	\$ 175	\$ 368	\$ (193)	(52.4%)
Investment Manager/Advisor Fees	21,945	20,822	1,123	5.4%
Pension Office Support Staff	506	481	25	5.2%
<b>Total Investment Expenses:</b>	<b>\$ 22,626</b>	<b>\$ 21,671</b>	<b>\$ 955</b>	<b>4.4%</b>

*See accompanying independent auditors report.*

Schedule of Plan Net Assets  
of the Delaware Local Government Retirement Investment Pool  
as of June 30, 2008 with Comparative Totals for June 30, 2007

(expressed in thousands)

	Sussex County Government						Totals as	
	General Account	Post Retirement Benefits	Town of Elsmere	City of Dover	Town of Newport	Kent County	of June 30 2008	2007
<b>Assets:</b>								
Cash & Cash Equivalents	\$ 1,474	\$ -	\$ 141	\$ 216	\$ 83	\$ -	\$ 1,914	\$ 1,467
Receivables:								
Accrued Investment Income	69	-	7	10	4	-	90	106
Pending Trade Sales	43	-	4	6	2	-	55	231
<b>Total Receivables:</b>	\$ 112	\$ -	\$ 11	\$ 16	\$ 6	\$ -	\$ 145	\$ 337
Investments at Fair Value:								
Domestic Fixed Income	2,613	-	249	382	147	-	3,391	6,177
Domestic Equities	4,834	-	462	706	273	-	6,275	11,633
Pooled Equity & Fixed Income	9,089	-	867	1,328	513	-	11,797	18,632
Alternative Investments	5,130	-	490	749	289	-	6,658	6,698
Foreign Fixed Income	509	-	49	75	29	-	662	1,773
Foreign Equities	4,885	-	466	712	275	-	6,338	7,770
<b>Total Investments:</b>	\$ 27,060	\$ -	\$ 2,583	\$ 3,952	\$ 1,526	\$ -	\$ 35,121	\$ 52,683
Invested Securities								
Lending Collateral	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,721
<b>Total Assets:</b>	\$ 28,646	\$ -	\$ 2,735	\$ 4,184	\$ 1,615	\$ -	\$ 37,180	\$ 59,208
<b>Liabilities:</b>								
Pending Purchases Payable	318	-	30	46	18	-	412	574
Securities Lending Collateral Payable	-	-	-	-	-	-	-	4,721
Accrued Investment Expenses	22	-	2	3	1	-	28	37
Accrued Administrative Expenses	3	-	-	-	-	-	3	-
<b>Total Liabilities:</b>	\$ 343	\$ -	\$ 32	\$ 49	\$ 19	\$ -	\$ 443	\$ 5,332
<b>Net Assets Held in Trust for Pool Participants</b>								
	\$ 28,303	\$ -	\$ 2,703	\$ 4,135	\$ 1,596	\$ -	\$ 36,737	\$ 53,876

See accompanying independent auditors' report.

Schedule of Changes in Plan Net Assets  
of the Delaware Local Government Retirement Investment Pool  
for the Fiscal Year Ended June 30, 2008  
with Comparative Totals for June 30, 2007

(expressed in thousands)

	Sussex County Government						Totals as	
	General Account	Post Retirement Benefits	Town of Elsmere	City of Dover	Town of Newport	Kent County	of June 30 2008	2007
<b>Additions</b>								
<b>Contributions:</b>								
Transfer of Assets from Outside the System	\$ 2,268	\$ 4,536	\$ -	\$ -	\$ 8	\$ 475	\$ 7,287	\$ 15,169
<b>Total Contributions:</b>	\$ 2,268	\$ 4,536	\$ -	\$ -	\$ 8	\$ 475	\$ 7,287	\$ 15,169
<b>Investments:</b>								
Investment Income	416	173	42	63	27	107	828	719
Net appreciation (depreciation) in fair value	(872)	38	(80)	(120)	(38)	66	(1,006)	5,452
<b>Total Investment Earnings (Losses):</b>	\$ (456)	\$ 211	\$ (38)	\$ (57)	\$ (11)	\$ 173	\$ (178)	\$ 6,171
Less Investment Manager/Advisor Fees	(84)	(34)	(8)	(13)	(6)	(21)	(166)	(154)
Less Investment Administrative Expenses	(2)	(1)	-	-	-	(1)	(4)	(4)
<b>Net Investment Income:</b>	\$ (542)	\$ 176	\$ (46)	\$ (70)	\$ (17)	\$ 151	\$ (348)	\$ 6,013
Securities Lending Income	75	30	7	11	5	19	147	188
Less Borrower Rebates	(67)	(27)	(7)	(10)	(4)	(17)	(132)	(176)
Less Bank Fee	(2)	(1)	-	-	-	-	(3)	(2)
Total Securities Lending Expense	\$ (69)	\$ (28)	\$ (7)	\$ (10)	\$ (4)	\$ (17)	\$ (135)	\$ (178)
Total Net Securities Lending Income	\$ 6	\$ 2	\$ -	\$ 1	\$ 1	\$ 2	\$ 12	\$ 10
<b>Total Additions</b>	\$ 1,732	\$ 4,714	\$ (46)	\$ (69)	\$ (8)	\$ 628	\$ 6,951	\$ 21,192
<b>Deductions:</b>								
Transfer of Assets Outside the System	\$ -	\$ 15,274	\$ -	\$ -	\$ 424	\$ 8,392	\$ 24,090	\$ -
<b>Total Deductions</b>	\$ -	\$ 15,274	\$ -	\$ -	\$ 424	\$ 8,392	\$ 24,090	\$ -
Net Increase/(Decrease)	\$ 1,732	\$ (10,560)	\$ (46)	\$ (69)	\$ (432)	\$ (7,764)	\$ (17,139)	\$ 21,192
<b>Net Assets Held in Trust for Pool Participants:</b>								
<b>Balance Beginning of Year</b>	\$ 26,571	\$ 10,560	\$ 2,749	\$ 4,204	\$ 2,028	\$ 7,764	\$ 53,876	\$ 32,684
<b>Balance End of Year</b>	\$ 28,303	\$ -	\$ 2,703	\$ 4,135	\$ 1,596	\$ -	\$ 36,737	\$ 53,876



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of the Board of Pension Trustees  
Delaware Public Employees' Retirement System:

We have audited the financial statements of the Delaware Public Employees' Retirement System (the System) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the System in a separate letter dated October 20, 2008.

This report is intended solely for the information and use of management, the Board of Pension Trustees, Secretary of Finance, Office of the Controller General, Office of the Attorney General, Office of the Governor, and the Office of the Management and Budget and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del C., Section 10002(d), this report is public and its distribution is not limited.

KPMG LLP

October 20, 2008

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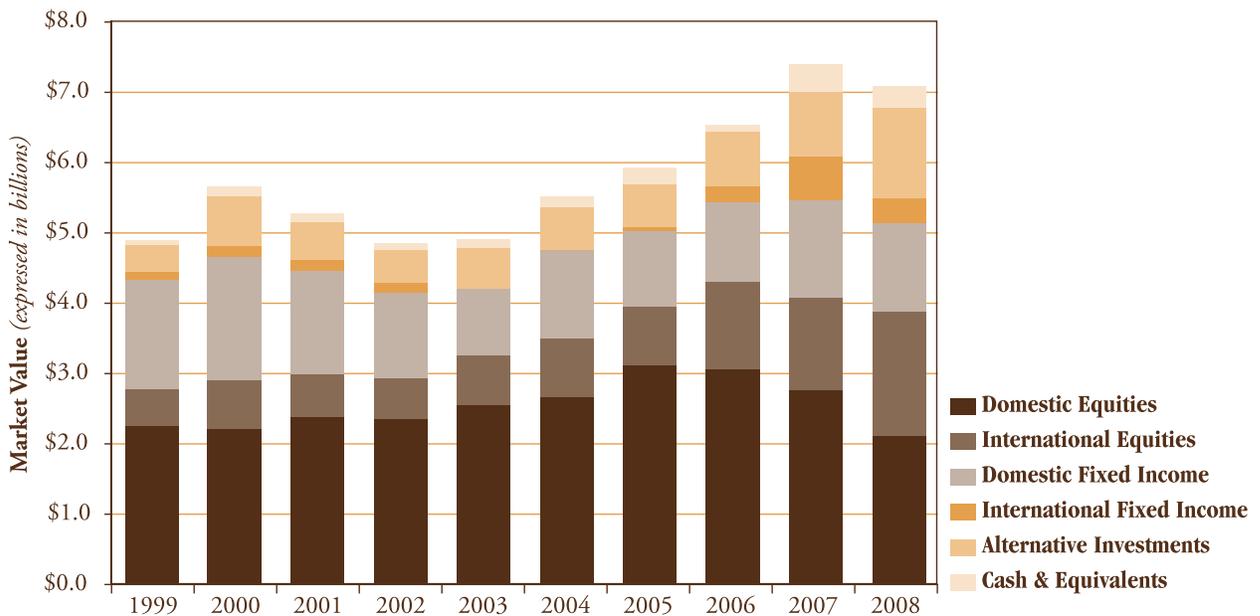
Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Investment Section

## Ten-Year Investment Comparison



Fiscal Years Ended June 30,  
(expressed in millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Domestic Equities	\$ 2,248.2	\$ 2,197.6	\$ 2,371.0	\$ 2,340.5	\$ 2,520.7	\$ 2,655.7	\$ 3,119.6	\$ 3,053.9	\$ 2,758.4	\$ 2,095.1
International Equities	519.2	702.3	607.3	577.1	697.2	839.2	817.0	1,242.4	1,312.3	1,778.8
Domestic Fixed Income	1,572.3	1,761.4	1,483.8	1,234.8	950.8	1,242.3	1,084.2	1,137.7	1,386.4	1,266.6
International Fixed Income	102.9	152.9	147.8	132.1	28.8	27.6	54.4	227.4	627.2	353.1
Alternative Investments	396.7	708.0	549.2	480.9	559.9	607.3	615.1	775.2	919.9	1,281.3
Cash & Equivalents	58.8	141.6	121.5	92.3	123.3	149.1	237.7	90.4	402.0	314.3
	\$ 4,898.1	\$ 5,663.8	\$ 5,280.6	\$ 4,857.7	\$ 4,880.7	\$ 5,521.2	\$ 5,928.0	\$ 6,527.0	\$ 7,406.2	\$ 7,089.2

Note: For this section, Pooled Investments are included in their respective equity and fixed income asset classes and, therefore, are different from the categories used in the financial section on pages 24-25. In addition, the market value of investments represented in this section includes accrued interest, investment sales pending, and investment purchases pending, as indicated in the Financial Section on pages 24-25. Alternative investments include real estate of \$13.4M, \$4.9M and \$13.1M for the year's 1998, 1999 and 2008 respectively.



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August 22, 2008

Dear Board Members, Participants, and Beneficiaries:

The Board of Pension Trustees' Investment Committee (Committee) oversees the investment of the retirement funds of the Delaware Public Employees' Retirement System (System). The Committee's investment oversight includes the nine plans/funds [State Employees', Special, New State Police, Judiciary, County & Municipal Police and Firefighters', County & Municipal Other Employees', Delaware Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] that the Board of Pension Trustees (Board) administers and the three commingled pension investment funds [County & Municipal Police/Firefighters' COLA, Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DEL RIP)] that the Board manages.

The Committee consists of six members appointed by the Board. The Committee operates within the following similar investment objectives established by the Board:

- To realize a real return of 3% per year over long periods
- To manage portfolio risk so as to limit downside price fluctuation of the total System
- To realize as high a rate of total return as possible consistent with all of the above.

While not restricted by mandated targeted asset allocations, investment decisions are further dictated by the Board's internal investment guidelines which provide for a minimum of 20% of the total assets of the System to be invested in fixed income investments, such as bonds and cash equivalents. The Committee monitors this policy with the assistance of the Investment Advisor. Also, the Committee reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by selecting managers whose demonstrated performance reflects different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives.

In a year when housing prices incurred their worst decline since the 1930s and the banking system incurred record write-downs in asset values, the System's active moves to avoid risk were rewarded relative to market returns.

Board Members, Participants and Beneficiaries

Page 2

August 22, 2008

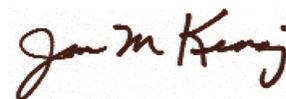
The System's investments incurred a 1.3% decline gross of fees in Fiscal Year 2008. The total System's annualized returns for the last 5, 10 and 15 years are 10.5%, 7.1% and 9.8%, respectively. As reported by a major performance measurement service, the System's performance ranks in the top quartile for the one-year, three-year and ten-year period(s). For the period ending June 30, 2008, the System's net assets decreased by \$317.3 million, but investment related losses comprised \$113.5 million of the decrease with an additional \$58.3 million decrease related to the transfer of assets to the Delaware OPEB Fund Trust.

The domestic stock market as measured by the Russell 3000 declined by 12.7% during the year as severe setbacks in the housing and financial sectors translated into a broader decline in consumer-sensitive issues as the year progressed. Foreign stock market losses were somewhat cushioned by the rising value of foreign currencies relative to the dollar, as the MSCI All-Country World ex-USA index fell 6.6%. The domestic bond market was split between corporate credits and Treasury bonds – the Lehman High Yield bond index fell 4.8% as credit markets anticipated higher default rates, while the Lehman Long Term Treasury bond index rose 12.3%. The broad Lehman Universal bond index rose 6.2% during the Fiscal Year.

The System's fiscal year return of (1.3%) is a function of the Committee's ongoing focus on risk control and diversification. Taking into account the long term risks and returns of stocks and bonds, the Committee continues to focus more on non-traditional asset classes, which are expected to be beneficial to the risk-return profile of the System's portfolio (and were positive contributors in the year just passed). In addition, during the year, the Investment Committee took steps to dampen the portfolio's exposure to riskier assets, hired several new managers of non-traditional investment strategies and took pro-active steps to avoid potential issues in the conduct of its securities lending program and in the portfolio's cash management.

On behalf of the Trustees, we thank our dedicated professional staff at the Office of Pensions, our Investment Advisor, our custodian bank, and our money managers, who all work diligently to ensure the successful operation of the Board of Pension Trustees' Investment Committee.

Respectfully submitted,



Jan M. King, Chair  
Board of Pension Trustees'  
Investment Committee

## Investment Activity and Economic Climate

In a turbulent year for the economy and the investment markets, the System's investments incurred a 1.3% decline gross of fees in Fiscal Year 2008. The System's annualized returns for the last 5, 10 and 15 years are 10.5%, 7.1% and 9.8%, respectively. When compared with the total returns for public funds with assets greater than \$500 million, the System ranked in the top quartile for the most recent one-year, three-year, and ten-year periods. In addition, the System's returns compare favorably with its market index benchmark for all periods one through ten years.

System investments are managed to control the downside risk to which assets are exposed while maximizing long-term gain potential. This strategy positions the System to limit the impact of adverse market conditions.

During the year, with the exception of high quality bonds and investments related to commodities, investment market returns were broadly negative. The Russell 3000, a broad measure of the domestic stock market, fell 12.7%. International stock markets were less weak than the domestic market, as the MSCI All-Country World ex-USA index fell 6.6%. While corporate bonds were weak, Treasury bonds were quite strong, causing the broad Lehman Universal bond index to have a 6.2% return for the year. Equity allocations were brought down significantly before and during the latest fiscal year, but they still weighed on the System's Fiscal Year return of (1.3%). The System continues to manage its investments by focusing on risk control and diversification into non-traditional strategies and asset classes.

Return data for the total System was calculated gross of fees, on a time-weighted basis in accordance with accepted practices. Valuations, where available, are based on published pricing from national securities exchanges.

## Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For more than 30 years, the System has been managed to control the extent of downside risk to which assets are exposed while maximizing the potential for long-term gain.

Specific investment objectives are:

- Achieve a real return objective (DPERS return less CPI) of 3% over long periods (approximately 15 years)
- Manage portfolio risk by controlling downside price fluctuations of the Fund in any 12-month period
- Maximize total investment returns, consistent with Board objectives.

To achieve these objectives, these investment guidelines are employed:

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one-market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks

- Control exposure in illiquid asset classes
- Review, re-examine, and reconfirm the operation of results of the investment process regularly
- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital markets expectations.

### **Investment Process**

While the objectives and policies have been repeatedly reaffirmed, the implementation process undergoes continuous evolution. The increasing volume of investment information and the complexities of the global marketplace necessitate the continuous review of data, trends, and markets. Ongoing enhancements are employed in every aspect of investment management, from asset allocation decisions to manager selection and performance measurement.

### **General Management**

During each year the Committee, with Board of Pension Trustees' (Board) oversight, carries out a number of general management practices to assure that the appropriate policies, controls, and resources are in place. Areas that are reviewed at least annually include:

- Investment objectives and policies based on an analysis of cash flow and liabilities
- Management tools for decision making
- Long-term risk and return levels for various investment options
- Manager organization, performance, transaction costs, fees and expenses, proxy voting procedures, and adherence to investment philosophy
- System performance versus externally measured universes of similar funds
- Internal and external audits
- Contacts with other leading state investment funds to compare management practices
- Policy objectives and performance of alternative investments (including limited partnerships, and private LLCs).

### **Investment Results**

In Fiscal Year 2008, the investment process experienced:

- A time-weighted total return of (1.3%) based on market values
- Benefit and expense payments exceeded net employer and member contributions by \$146.6 million
- Net decrease in investment earnings of \$113.5 million (investment earnings less investment expenses) which includes securities lending income
- Decrease in fair market value of investment portfolio from \$7.4 billion to \$7.1 billion, including \$58.3 million transferred to the Delaware OPEB Fund Trust
- Overall volatility well below that of an all common stock portfolio.

## Total Investment Rates of Return for the Last Ten Years

<b>Total Investment Portfolio</b>				
	<b>Fair Value</b> <i>(in millions)</i>	<b>Fair Value</b> <b>Annual Rate of Return</b>	<b>Annual Consumer</b> <b>Price Index</b>	<b>Real Rate of Return</b>
1999	\$4,898.1	11.1%	2.0%	9.1%
2000	\$5,663.8	16.8%	3.7%	13.1%
2001	\$5,280.6	(5.1%)	3.3%	(8.4%)
2002	\$4,857.7	(6.3%)	1.0%	(7.3%)
2003	\$4,880.7	3.4%	2.2%	1.2%
2004	\$5,521.2	16.3%	3.2%	13.1%
2005	\$5,928.0	10.0%	2.5%	7.5%
2006	\$6,527.0	12.4%	4.3%	8.1%
2007	\$7,406.0	15.9%	2.9%	13.0%
2008	\$7,089.2	(1.3%)	4.5%	(5.8%)
Five Year		10.5%	3.5%	7.0%
Ten Year		7.1%	2.9%	4.2%
Fifteen Year		9.8%	2.8%	7.0%

### Periods Ending June 30, 2008

*(All Returns Greater Than One Year Are Annualized)*

	<b>Five Years</b>	<b>Ten Years</b>	<b>Fifteen Years</b>
Total System Return	10.5%	7.1%	9.8%
S&P 500 Index % Return	7.6%	2.9%	9.2%
Excess Return vs. S&P 500 Index	2.9%	4.2%	0.6%
Relative Risk vs. S&P 500 Index	61.5%	57.1%	57.2%

Funds are invested for long-term results and each single year's returns must be viewed in relation to longer periods.

One investment objective is to achieve an annualized rate of total return over any 15-year period that is at least 3 percentage points greater than inflation. The most recent 15-year result is a real rate of return of 7.0% (9.8% System return less 2.8% CPI) measured on a time-weighted basis. During this period, risk, as measured by relative volatility, was approximately 57.2% of the level that would have been experienced by a fund invested 100% in the S&P 500. The real rate of return from such a 100% stock portfolio would have been 6.4% (9.2% S&P 500 less 2.8% CPI). These are not typical real rates of return and should not be expected going forward. The last 15 years encompassed periods of exceptional returns in both the bond and stock markets.

## Comparative Investment Results

	1 Year	3 Year	5 Year	10 Year
<b>Domestic Equities <sup>(2)</sup></b>	<b>(2.8%)</b>	<b>10.1%</b>	<b>13.6%</b>	<b>6.6%</b>
S&P 500	(13.1%)	4.4%	7.6%	2.9%
Russell 3000 Index	(12.7%)	4.7%	8.4%	3.5%
ML All Convertibles	(6.4%)	5.7%	6.5%	5.2%
<b>International Equities <sup>(2)</sup></b>	<b>(4.5%)</b>	<b>13.4%</b>	<b>13.7%</b>	<b>8.5%</b>
MSCI EAFE Index	(10.6%)	12.8%	16.7%	5.8%
Jefferies Global Converts ex US	(0.1%)	9.7%	8.9%	7.7%
<b>Fixed Income &amp; Cash <sup>(3)</sup></b>	<b>5.3%</b>	<b>4.7%</b>	<b>5.3%</b>	<b>6.5%</b>
Lehman Aggregate	7.1%	4.1%	3.9%	5.7%
<b>Pooled Equity &amp; Fixed Income <sup>(4)</sup></b>	<b>(8.5%)</b>	<b>6.4%</b>	<b>9.1%</b>	<b>5.4%</b>
60% S&P 500 Index/35% SL Long Term	(3.6%)	4.4%	6.6%	4.7%
Treasury Bond Index/5% Treasury Bills				
60% MS Capital Int'l Index/40% Salomon	(0.0%)	8.1%	9.9%	5.5%
World Gov't Bond Index				
<b>Alternative Strategies <sup>(5)</sup></b>	<b>6.6%</b>	<b>9.8%</b>	<b>11.3%</b>	<b>3.5%</b>
60% S&P 500 Index/35% SL Gov't-Corp	(5.4%)	4.4%	6.1%	4.2%
<b>Total System</b>	<b>(1.3%)</b>	<b>8.7%</b>	<b>10.5%</b>	<b>7.1%</b>
60% S&P 500 Index/35% SL Gov't-Corp	(5.4%)	4.4%	6.1%	4.2%
Bond Index/5% Treasury Bills				
<b>Consumer Price Index <sup>(1)</sup></b>	<b>4.5%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>2.9%</b>

(1) The total System benchmark is a return of 3% greater than CPI over any 15-year period.

(2) Includes convertible securities and real estate investments; excludes equity portions of Pooled Equity & Fixed portfolios.

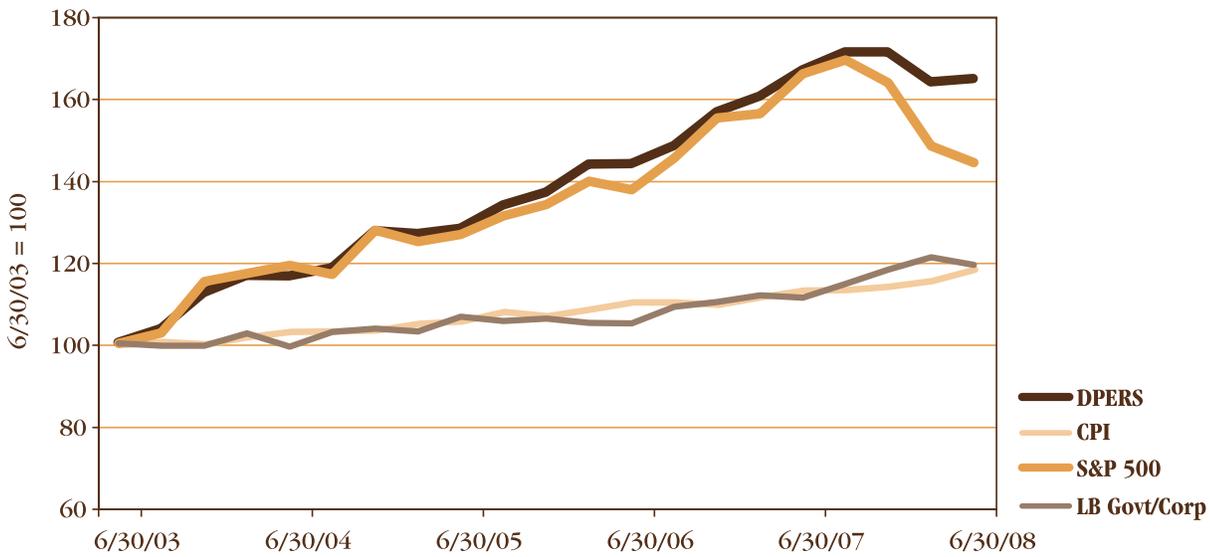
(3) Excludes fixed income and cash portions of Pooled Equity and Fixed Income portfolios, includes managed futures.

(4) Comprises investment accounts which tactically rebalance among stocks, bonds and cash (including foreign stocks, bonds, and cash) to optimize risk / return characteristics of the mix. The underlying assets in these accounts are generally passively invested in index vehicles.

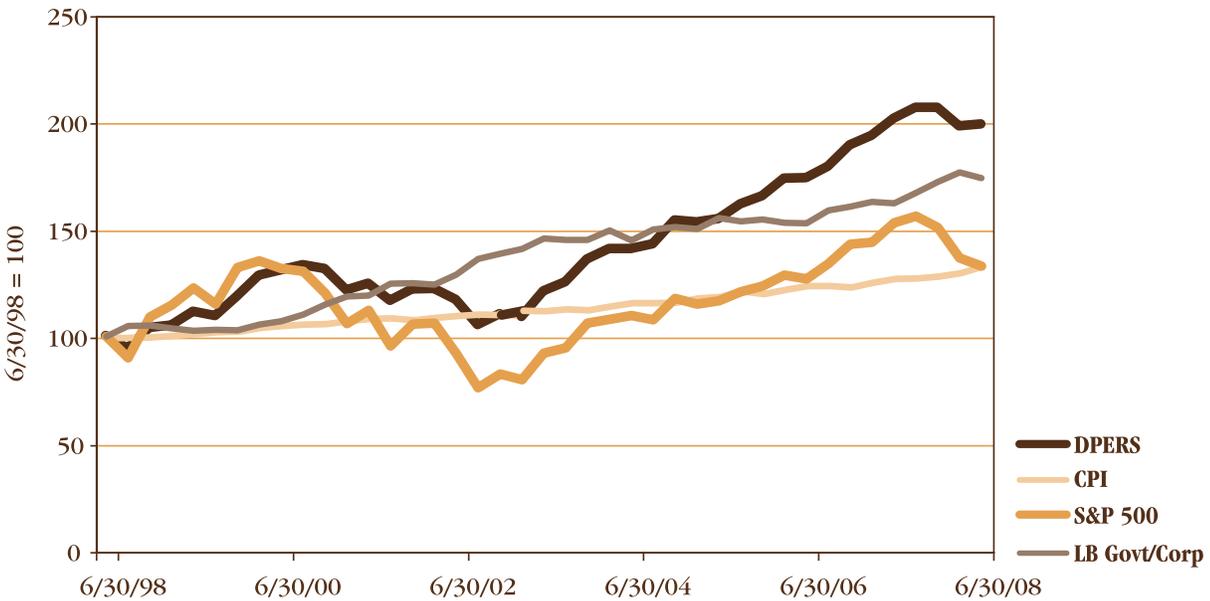
(5) Includes Private Equity, Real Estate and other non-marketable investments. For purpose of benchmark comparison, all returns are shown on a non-lagged basis. Predominant investments have been venture capital.

## Total Return Performance Comparison - 5 Years

Total Return Performance Comparison - 5 Years Compounded



## Total Return Performance Comparison - 10 Years



## List of Largest Assets Directly Held\* as of June 30, 2008

(excludes investments in pooled vehicles)

<b>Equities (Includes Convertibles)</b>	<b>Market Value</b>	<b>% of Total Fund</b>	<b>Share/PAR (\$)</b>
MetroPCS Communications Corporation	\$ 26,565,000	0.37%	1,500,000 shares
Exxon Mobil Corporation	25,552,941	0.36%	289,946 shares
Schlumberger Limited	19,362,753	0.27%	180,236 shares
Statoilhydro Asa	17,477,832	0.25%	468,786 shares
Cameron International Corporation	17,208,315	0.24%	310,900 shares
Adr Petroleo Brasileiro SA Petrobras ADR	16,900,038	0.24%	238,600 shares
Gazprom ADR	16,851,320	0.24%	290,540 shares
Arch Coal Incorporated	15,553,719	0.22%	207,300 shares
Teva Pharmaceutical Financial Corp. Debt Convertible	14,874,031	0.21%	\$ 13,325,000 Par (\$)
Consol Energy Incorporated	14,169,857	0.20%	126,100 shares
<b>Total</b>	<b>\$ 184,515,806</b>	<b>2.60%</b>	

<b>Bonds</b>	<b>Market Value</b>	<b>% of Total Fund</b>	<b>Par (\$)</b>
Inter-American Development Bank 6.00% 12/15/2017	\$ 12,336,223	0.17%	\$ 17,750,000
Federal National Mortgage Association 6.00% 12/31/2040	10,924,763	0.15%	\$ 10,830,000
Federal Home Loan Mortgage Corporation 6.00% 07/15/2034	10,544,400	0.15%	\$ 10,440,000
Telefonica Emisiones Sau Sr Note 7.045% 6/20/2036	9,020,738	0.13%	\$ 8,790,000
Province Of British Columbia 6.25% 12/1/09	8,938,095	0.13%	\$ 8,740,000
Federal National Mortgage Association 2.29% 2/19/09	8,848,195	0.12%	\$ 9,250,000
Federal National Mortgage Association 5.50 % TBA	7,791,366	0.11%	\$ 12,000,000
U.S. Treasury Bonds 7.125 % 2/15/2023	7,547,439	0.11%	\$ 7,905,000
Federal Home Loan Mortgage Corporation 5.50 % TBA	7,042,750	0.10%	\$ 5,895,000
Mexico (United Mexican States) Bonds 9.00% 12/20/12	6,996,817	0.10%	\$ 7,150,000
<b>Total</b>	<b>\$ 89,990,786</b>	<b>1.27%</b>	

\* A complete list of portfolio holdings is available for review upon request.

## Asset Allocation

Funds are deployed in diverse asset classes offering the desired risk and return characteristics in an effort to achieve stated investment objectives. The accompanying table shows the most recent five-year history and trends in asset allocation. For these asset classifications, the Pooled Equity and Fixed Income accounts are included in their respective equity and fixed income asset classes and, therefore, are different from the asset classes used in the financial section on pages 24-25.

	2008	2007	2006	2005	2004
Domestic Equities	29.5%	37.3%	46.8%	52.6%	48.1%
International Equities	25.1%	17.7%	19.0%	13.8%	15.2%
Domestic Fixed Income	17.9%	18.7%	17.4%	18.3%	22.5%
International Fixed Income	5.0%	8.5%	3.5%	0.9%	0.5%
Alternative Investment	18.1%	12.4%	11.9%	10.4%	11.0%
Cash and Equivalents	4.4%	5.4%	1.4%	4.0%	2.7%

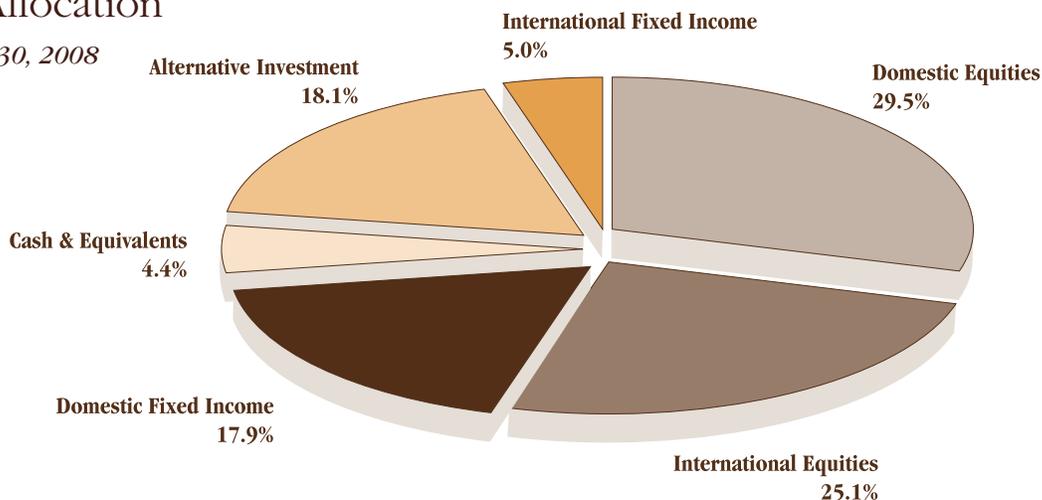
Individual investment managers are selected for each asset class based on a rigorous set of performance and organizational criteria. In addition to a proven track record of managing a given class of assets, they must have a clearly stated and consistently applied investment policy and decision-making process, continuity of personnel, and a well-defined plan for retaining key personnel and controlling growth.

All investment managers are expected to maintain those organizational criteria in order to continue as managers. During the fiscal year, two international equity managers were hired. Two international equity managers, two domestic equity managers, and a domestic convertible manager were given additional funds. One domestic equity manager was terminated with the services of a transition manager, and two domestic equity managers, a international convertible, and two domestic fixed income managers had their assets under management reduced.

In the area of pooled assets, a portion of the System's domestic tactical asset allocation and the global tactical asset allocation were reduced. In the area of alternative investments, the System entered into ten new partnerships with existing managers and three partnerships with new managers.

## Asset Allocation

as of June 30, 2008



At the end of the fiscal year, the money managers of the System and their responsibilities were:

<b>Investment Manager</b>	<b>Responsibility</b>	<b>Fiscal Year Retained</b>
<b>Domestic Equities</b>		
INTECH	Equities	2005
Mellon Capital Management	Equities	1984
Oaktree Capital Management	Convertible Securities	1995
OFI Institutional Asset Management	Equities	1982
Rutabaga Capital Management	Equities	2007
T. Rowe Price Associates	Equities	1971
<b>International Equities</b>		
Axiom International Investors LLC	International Equities	2007
Dodge and Cox Funds	International Equities	2007
Mellon Capital Management	International Equities	1997
Mercator Asset Management	International Equities	2004
Oaktree Capital Management	International Convertible Securities	1995
Baillie Gifford	International Equities	2008
<b>Domestic Fixed Income</b>		
Lehman Brothers Asset Management	Fixed Income	1995
Mellon Capital Management	Fixed Income	1984
T. Rowe Price Associates	Fixed Income	1996
Loomis Sayles & Company LP	Fixed Income	1999
Western Asset Management Company	Fixed Income	2007
<b>Alternative Investments</b>		
Accel Partners	Venture Capital	1984
Accel-KKR Company	Venture Capital	2002
Allegis Capital	Venture Capital	2005
Advanced Technology Ventures	Venture Capital	1990
Angelo, Gordon & Co	Hedge Fund	2007
The Carlyle Group	Private Equity	1996
Carlyle/Riverstone Global Energy & Power Fund	Venture Capital	2006
Cherry Tree Ventures	Venture Capital	1984
Farallon Capital	Hedge Funds	2008
Flagship/One Liberty Ventures	Venture Capital	1982
IDG-Accel China Growth Fund	Venture Capital	2006
Liquid Realty	Real Estate	2008
MeriTech Capital Partners	Venture Capital	1997
Oaktree Capital Management	Distressed Debt; Emerging Markets	1998
ONSET Enterprise Associates	Venture Capital	1990
Pecks Management Partners	Private Equity	1986
Spectra Enterprise Associates	Venture Capital	1987
Summit Ventures	Venture Capital	1989
T. Rowe Price Associates	Distressed Debt	1989
Trident Capital	Venture Capital	2000
Weston Presidio Capital	Venture Capital	1996
<b>Cash &amp; Short-Term</b>		
Northern Trust	Cash & Equivalents	2007

## Investment Summary and Schedule of Investment Fees

(dollar values expressed in millions)

	Market Value as of June 30, 2008	Percent of Total Investment Assets	Total Fiscal Year 2008 Investment Fees	Basis Points
<b>Equities</b>				
Domestic Equities	\$ 2,095.1	29.5%	\$ 9.1	
International Equities	1,778.8	25.1%	5.7	
Sub-Total	\$ 3,873.9	54.6%	\$ 14.8	
<b>Fixed Income</b>				
Domestic Fixed Income	1,266.6	17.9%	2.1	
International Fixed Income	353.1	5.0%	2.0	
Sub-Total	\$ 1,619.7	22.9%	\$ 4.1	
<b>Other Asset Allocations</b>				
Alternative Investment	1,281.3	18.1%	0.1	
Cash & Short Term	314.3	4.4%	0.1	
Sub-Total	1,595.6	22.5%	\$ 0.2	
<b>Other Investment Services</b>				
Custodian/Investment Advisor Fees	-	-	2.6	
Pension Office Support Staff Expenses	-	-	0.5	
Sub-Total			\$ 3.1	
	<u>\$ 7,089.2</u>	<u>100.0%</u>	<u>\$ 22.2</u>	<u>31bp</u>

\* Other fees include Alternative Investment and Transition Management fees detailed on page 42. These fees have been excluded from the table above and the basis points calculation since they have already been netted from income. Basis point calculation is the weighted average based on the quarterly fund valuations.

### Glossary of Terms Used

#### *Fair Value (Market Value):*

The value at which an investment could be sold in a transaction between a willing buyer and a willing seller. All assets with regularly traded markets are shown at the fair value as determined by the custodian bank based on quoted market values. All other assets are adjusted to market value monthly except venture capital which is adjusted at least quarterly based on individual partnership procedures, and any private placement or partnership participation where values are supplied periodically by the respective management organizations in accordance with established procedures.

#### *Time-Weighted Total Return:*

The measure used for judging investment management of the System. It is based on market value and minimizes or eliminates any distortion in the rate of return caused by the timing of cash flows into or out of the System.

#### *Alternative Investments:*

Alternative Investments include non-traditional investments, some of which may be illiquid, such as limited partnerships, real estate and private LLCs.

### Schedule of Broker Commissions\*

The System has no commission recapture, directed payment, or “soft dollar” arrangements; however, such arrangements may exist between brokers and investment managers. Broker selection is the responsibility of individual investment managers.

The following is a list of brokers who received \$10,000 or more in commissions during Fiscal Year 2008.

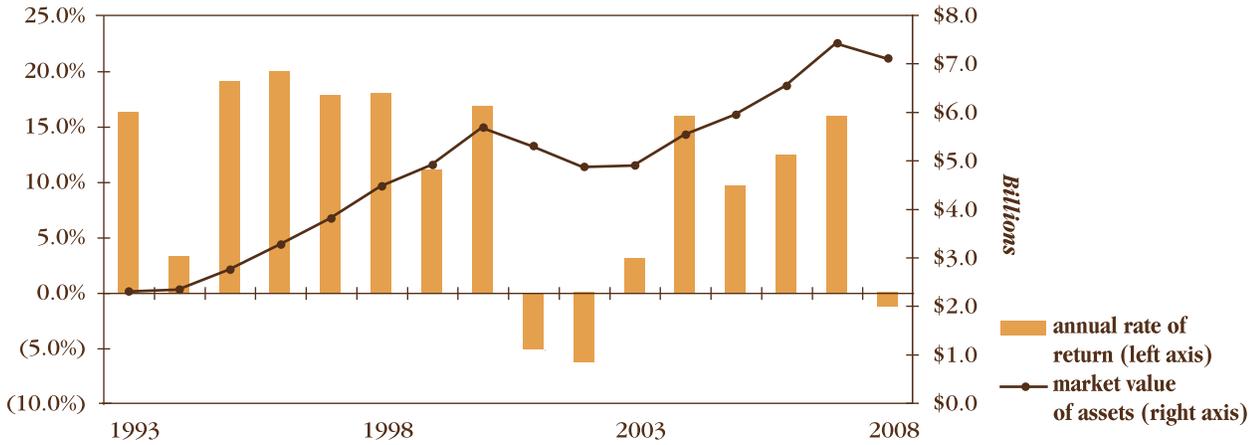
Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
UBS	17,894,765	\$0.01	\$ 381,459,183	\$ 216,353
Merrill Lynch	5,921,133	\$0.03	178,945,236	179,878
Investment Technology Group Inc	10,114,927	\$0.02	224,486,020	157,167
Bear Stearns	5,085,842	\$0.02	97,603,387	107,557
Credit Suisse First Boston Corporation	4,219,304	\$0.02	137,239,292	96,912
Citigroup Global	3,239,791	\$0.03	60,147,413	89,614
Liquidnet Inc	4,609,421	\$0.02	87,754,466	87,968
J P Morgan Securities Inc	4,020,886	\$0.02	70,142,502	80,938
Lehman Brothers	8,625,143	\$0.01	260,861,699	79,293
Autranet Inc Equity Trades	1,559,340	\$0.04	32,899,366	62,368
Deutsche Bank	2,173,346	\$0.02	103,316,198	52,018
Goldman Sachs & Company	3,134,912	\$0.02	88,343,660	51,343
Weeden And & Co	1,788,452	\$0.03	44,370,024	50,798
Jefferies & Company	1,558,275	\$0.03	42,633,588	50,205
Cantor Fitzgerald & Co	1,643,373	\$0.03	29,787,118	48,884
Morgan Stanley & Co Inc	1,379,888	\$0.03	40,909,496	45,486
Rosenblatt Securities LLC 501	1,878,751	\$0.02	97,144,042	43,066
Stifel Nicolaus & Company	1,084,468	\$0.04	51,607,957	42,686
E Trade Services	2,244,083	\$0.02	20,749,101	41,337
Cowen LLC	952,077	\$0.04	17,859,001	37,020
Knight Securities L P	1,265,941	\$0.03	28,781,479	36,976
Wachovia Capital Markets 46171	896,257	\$0.04	10,091,418	35,710
Credit Lyonnais Secs Asia Ltd H.K	886,623	\$0.04	14,749,670	34,992
Cibc World Markets Corp New York	914,863	\$0.04	18,209,590	32,942
Instinet	1,712,174	\$0.02	83,793,337	30,254
Shearson Lehman Hutton New York	876,992	\$0.03	39,433,843	28,973
Raymond James	707,600	\$0.04	23,308,457	28,768
Dresdner Kleinwort Wasserstein Sec	484,812	\$0.06	20,096,906	27,238
Citation Group	737,455	\$0.04	16,922,675	27,035
Cap Institutional Services Inc	884,820	\$0.03	37,924,884	25,656
Robert W Baird & Company	977,407	\$0.03	12,540,917	25,382
Guzman & Company	992,530	\$0.03	49,813,052	24,906
ABG Securities	1,102,390	\$0.02	11,699,321	20,551
Bank Of America	414,230	\$0.04	15,459,493	17,944
Fuji Securities New York	397,679	\$0.04	12,106,815	17,664
Sanford C. Bernstein Ltd	239,065	\$0.06	13,151,690	15,317
Oppenheimer And Company	376,359	\$0.04	11,422,576	15,072
Societe Generale	259,460	\$0.06	9,540,595	14,828
Daiwa Secs America New York	294,300	\$0.05	9,435,654	14,154
Lazard Capital Markets Llc	317,322	\$0.04	16,596,942	14,052
Lynch Jones & Ryan	852,900	\$0.02	48,874,505	13,970
Keece Bruyette And Woods Inc	346,970	\$0.04	7,975,491	13,829
Enskilda Securities Longon	153,350	\$0.08	6,152,954	12,224
Carnegie	1,060,720	\$0.01	6,212,120	11,949
Friedman Billing And Ramsey	290,816	\$0.04	4,976,975	11,633
Mcdonald And Company	288,716	\$0.04	4,286,868	11,366
Cazenove & Co	740,700	\$0.01	7,145,760	10,698
Sunrust Robinson Humphrey	262,900	\$0.04	3,758,876	10,516
Sis Segaintersettle Ag, Zurich	68,100	\$0.15	5,056,788	10,104
Jonestading Inst Serv	342,240	\$0.03	8,305,314	10,026
Muriel Siebert Co Inc Ny	202,000	\$0.05	9,241,912	10,001
All Others (106 Brokers Not Listed)	6,598,547	\$0.03	149,183,065	229,132
<b>Totals</b>	<b>109,074,415</b>		<b>\$2,784,508,691</b>	<b>\$2,464,753</b>
Average Commission, Per Share		\$0.02		

\*A complete list of broker commissions is available for review upon request.

**Delaware Public Employees' Retirement System**

**Annual Market Value of Fund and Rate of Return**

*For the 15-Year Period 1993-2008*



This section was prepared by the Pension Office staff with input from the Board of Pension Trustees, the Investment Committee, and the Investment Advisor.

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# Delaware Public Employees' Retirement System



— a component unit of the State of Delaware

Actuarial Section



Classic Values, Innovative Advice

September 11, 2008

Board of Pension Trustees  
 Delaware Public Employees' Retirement System  
 McArdle Building  
 860 Silver Lake Blvd., Suite 1  
 Dover, DE 19904-2402

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2008. The results of these valuations are contained in the enclosed exhibits. Any distribution of the exhibits must be in their entirety, including this cover letter, unless prior written consent is obtained.

### **Funding Objective**

The funding objective of the System is to establish contribution rates that, over time, will remain level as a percent of payroll. In order to achieve this, we developed a contribution rate that will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus level percent of payroll amortizations of each layer of the unfunded liability over a specified period. In addition, unfunded liabilities due to cost-of-living adjustments to retirees are funded through a schedule of future transfers from the Post-Retirement Increase Fund.

To our knowledge, the State has consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

### **Assumptions and Methods**

The actuarial assumptions and methods used in these valuations are based on the prior actuary's experience study completed during the fiscal year ended June 30, 2004. The Board set the investment return assumption based on advice from its investment consultant. We believe that all costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in the enclosed exhibits have been made on a basis consistent

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Board of Pension Trustees  
September 11, 2008  
Page 2



with our understanding of the System's funding requirements and goals, and of GASB Statement No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

### **Reliance on Others**

In performing this analysis, we relied on data and other information provided by the Delaware State Pension Office. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

### **Supporting Schedules**

Cheiron provided the figures disclosed in Schedule 1 of the Supporting Schedules to the Financial Section and the Notes to Trend Data. In addition, we were responsible for the following schedules found in the Actuarial Section: Actuarial Assumptions and Methods, Schedule of Active Member Valuation Data, Solvency Test, and Analysis of Financial Experience for the State Employees' Pension Plan.

### **Certification**

I believe the State's pension plans are adequately and appropriately financed, in that the contributions are determined and funded on a level cost as a percentage of payroll basis using reasonable actuarial methods and assumptions.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,  
Cheiron

A handwritten signature in black ink that reads "Fiona E. Liston".

Fiona E. Liston, FSA, EA  
Consulting Actuary

## Actuarial Assumptions and Methods

### Asset Valuation Method

The market value of assets, representing the realizable value of the assets on a particular day, is not necessarily an appropriate value for the purpose of setting contribution rates. This is because funding will take place over a long period of time during which market values can be expected to fluctuate significantly from year to year. If market values were used to develop contribution rates, the resulting contribution rates would also fluctuate from year to year.

In order to produce a stable pattern of contribution rates, market values are adjusted to remove some of the volatility. The actuarial value of assets is equal to 1/5th of the market value plus 4/5th of the expected value, where the expected value is equal to last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest at the valuation rate of 8.0% per annum.

### Funding Method

We used the Aggregate Entry Age Normal Method to determine costs for all plans. Under an Entry Age method, a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded liability rate (UAL). In addition, the overall contribution rate includes a provision for the plan's expenses.

For each State plan, an Entry Age Normal cost rate is determined for a typical member of each respective plan. This rate represents the member's expected future employer-paid normal costs divided by his expected future salary.

In addition to contributions required to meet the normal cost, contributions are required to meet each plan's unfunded actuarial liability. Actuarial liability equals the present value of future benefits less the present value of future normal costs and future employee contributions. The unfunded liability is the total actuarial liability for all members less the actuarial value of the System's assets.

A portion of the unfunded liability will be paid through future, scheduled transfers from the Post-Retirement Increase Fund. These transfers will cover the liability increases due to the cost of living increases granted on September 1, 2003, July 1, 2004, July 1, 2005, and July 1, 2006. The remaining unfunded actuarial liability will be amortized in layers for the Judiciary Plan, over an open 20 year period for the State Employees' Plan and State Police Plan and over a closed period of 19 years for the Delaware Volunteer Firemen's Fund and 15 years for the Diamond State Port Corporation plan through the unfunded liability amortization component of the total contribution.

## Actuarial Assumptions

The actuarial assumptions for the actuarial valuations are based on the experience study completed by the prior actuary in 2004. Differences between assumed and actual experience (actuarial gains and losses) are part of the unfunded actuarial liabilities. The following significant assumptions were used in the actuarial valuations as of July 1, 2008:

1. Rate of return on investments:  
8.0% compounded annually (adopted 2004).
2. Salary increases attributable to inflation:  
3.75% compounded annually (adopted 2004).
3. Salary increases attributable to merit and productivity:  
Increases for State Employees ranging from 0.50% to 6.14% per year (adopted 2004).
4. Mortality:  
Rates of mortality vary by plan and gender. For retirees, assumption anticipates future improvements in mortality through the use of a projection scale (adopted 2004).  
Sample retiree mortality rates from the State Employees plan are as follows:

Age	2004 Rate		Projection Scale	
	Male	Female	Male	Female
35	0.18%	0.06%	0.50%	1.10%
40	0.25%	0.09%	0.80%	1.50%
45	0.35%	0.14%	1.30%	1.60%
50	0.48%	0.21%	1.80%	1.70%
55	0.61%	0.30%	1.90%	0.80%
60	0.90%	0.49%	1.60%	0.50%

Active employee mortality rates from the State Employees plan are for males, 95% of the RP-2000 RE Mortality Table, and for females, 80% of the RP2000 RE Mortality Table.

5. Rates of termination of service, disablement, and retirement:  
Based on the results of the Experience Study completed in 2004 (adopted 2004).
6. Aggregate active member payroll: 3.75% annually (adopted 2004).

## Summary of Plan Provisions and Changes in Plan Provisions

The plans valued are those described on pages 30-33 of the Financial Section. There were no changes in plan provisions this year.

## Schedule of Active Member Valuation Data

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (expressed in thousands)	Annual Average Pay	Annualized \$ Increase in Average Pay
State Employees'	30-Jun-2008	34,764	\$ 1,711,473	\$ 49,231	2.3%
	30-Jun-2007	35,062	1,654,609	48,135	1.9%
	30-Jun-2006	34,313	1,589,185	46,314	5.0%
	30-Jun-2005	33,379	1,471,931	44,098	2.4%
	30-Jun-2004	32,498	1,399,279	43,057	1.2%
	30-Jun-2003	31,877	1,355,800	42,532	0.6%
	30-Jun-2002	31,951	1,351,112	42,287	6.5%
	30-Jun-2001	31,989	1,270,632	39,721	5.2%
	30-Jun-2000	31,740	1,198,626	37,764	6.1%
	30-Jun-1999	31,634	1,125,857	35,590	(0.1%)
Special	The Special Fund has no Active Members				
New State Police	30-Jun-2008	651	\$ 47,971	\$ 73,688	1.1%
	30-Jun-2007	644	46,924	72,863	5.8%
	30-Jun-2006	633	43,579	68,845	5.9%
	30-Jun-2005	610	39,645	64,992	4.6%
	30-Jun-2004	591	36,718	62,129	13.2%
	30-Jun-2003	579	31,778	54,884	0.2%
	30-Jun-2002	553	30,281	54,758	6.8%
	30-Jun-2001	539	27,624	51,250	5.7%
	30-Jun-2000	527	25,558	48,497	6.4%
	30-Jun-1999	516	23,518	45,578	5.3%
Judiciary	30-Jun-2008	54	\$ 9,689	\$ 179,426	0.4%
	30-Jun-2007	55	9,825	178,636	4.6%
	30-Jun-2006	55	9,397	170,854	6.8%
	30-Jun-2005	53	8,475	159,906	8.4%
	30-Jun-2004	52	7,672	147,539	4.9%
	30-Jun-2003	51	7,173	140,647	1.7%
	30-Jun-2002	50	7,329	138,283	8.5%
	30-Jun-2001	49	6,371	127,420	7.8%
	30-Jun-2000	48	5,794	118,245	0.1%
	30-Jun-1999	47	5,673	118,118	8.5%
County & Municipal	30-Jun-2008	866	\$ 49,328	\$ 56,961	3.8%
Police and Firefighters'	30-Jun-2007	821	45,059	54,883	4.9%
	30-Jun-2006	733	38,342	52,308	5.7%
	30-Jun-2005	675	33,389	49,465	(0.3%)
	30-Jun-2004	563	27,930	49,609	15.6%
	30-Jun-2003	562	24,128	42,932	1.6%
	30-Jun-2002	505	21,342	42,261	4.1%
	30-Jun-2001	483	19,605	40,590	3.4%
	30-Jun-2000	459	18,011	39,240	4.9%
	30-Jun-1999	407	15,230	37,420	13.1%

## Schedule of Active Member Valuation Data continued

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (expressed in thousands)	Annual Average Pay	Annualized \$ Increase in Average Pay
County & Municipal	30-Jun-2008	427	\$ 18,632	\$ 43,635	8.4%
Other Employees'	30-Jun-2007	402	16,183	40,256	7.8%
	30-Jun-2006	349	13,027	37,327	20.8%
	30-Jun-2005	315	9,737	30,911	(8.6%)
	30-Jun-2004	221	7,474	33,819	10.6%
	30-Jun-2003	203	6,209	30,586	8.2%
	30-Jun-2002	90	2,545	28,278	4.9%
	30-Jun-2001	85	2,292	26,965	(0.4%)
	30-Jun-2000	74	2,004	27,081	9.5%
	30-Jun-1999	69	1,706	24,725	8.9%
Closed State Police	30-Jun-2008	10	\$ 1,152	\$ 115,200	1.9%
	30-Jun-2007	15	1,695	113,000	6.4%
	30-Jun-2006	18	1,912	106,222	3.0%
	30-Jun-2005	25	2,579	103,160	6.8%
	30-Jun-2004	27	2,608	96,593	7.7%
	30-Jun-2003	32	2,869	89,656	15.5%
	30-Jun-2002	40	3,105	77,625	7.6%
	30-Jun-2001	45	3,247	72,156	5.8%
	30-Jun-2000	57	3,888	68,211	3.8%
	30-Jun-1999	75	4,930	65,733	4.6%
Diamond State Port Corporation	30-Jun-2008	281	\$ 10,270	\$ 36,548	(3.5%)
	30-Jun-2007	296	11,213	37,882	(3.7%)
	30-Jun-2006	283	11,130	39,329	13.5%
	30-Jun-2005	267	9,248	34,637	0.2%
	30-Jun-2004	259	8,950	34,556	4.4%
	30-Jun-2003	261	8,636	33,088	(1.0%)
	30-Jun-2002	280	9,354	33,407	3.4%
	30-Jun-2001	272	8,788	32,309	(4.9%)
	30-Jun-2000	227	7,715	33,987	(7.9%)
	30-Jun-1999	207	7,637	36,894	0.3%
Delaware Volunteer Firemen's	30-Jun-2008	5,066	\$ -	\$ -	-
	30-Jun-2007	5,170	-	-	-
	30-Jun-2006	5,160	-	-	-
	30-Jun-2005	5,106	-	-	-
	30-Jun-2004	5,055	-	-	-
	30-Jun-2003	4,933	-	-	-
	30-Jun-2002	4,856	-	-	-
	30-Jun-2001	4,769	-	-	-
	30-Jun-2000	4,579	-	-	-
	30-Jun-1999	4,706	-	-	-

## Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Plan	Fiscal Year Ended	Added to Rolls		Removed from Rolls	
		Additions	Annual Allowance (expressed in thousands)	Deletions	Annual Allowances (expressed in thousands)
State Employees'	30-Jun-2008	1,363	\$ 29,455	680	\$ 7,497
	30-Jun-2007	1,182	27,078	707	6,110
	30-Jun-2006	1,465		731	
Special	30-Jun-2008	-	\$ -	2	\$ 4
	30-Jun-2007	-	1	3	29
	30-Jun-2006	-		2	
New State Police	30-Jun-2008	12	\$ 613	1	\$ 39
	30-Jun-2007	12	634	-	-
	30-Jun-2006	9		1	
Judiciary	30-Jun-2008	2	\$ 153	3	\$ 148
	30-Jun-2007	1	30	1	45
	30-Jun-2006	1		-	
County & Municipal Police and Firefighters'	30-Jun-2008	5	\$ 132	1	\$ 7
	30-Jun-2007	6	192	1	21
	30-Jun-2006	3		1	
County & Municipal Other Employees'	30-Jun-2008	3	\$ 17	-	\$ -
Delaware Volunteer Firemen's	30-Jun-2007	6	40	2	10
	30-Jun-2006	-		-	
	30-Jun-2008	123	\$ 132	48	\$ 41
Diamond State Port Corporation	30-Jun-2007	111	131	56	46
	30-Jun-2006	96		57	
	30-Jun-2008	1	\$ 3	1	\$ 14
Closed State Police	30-Jun-2007	8	52	2	38
	30-Jun-2006	4		1	
	30-Jun-2008	13	\$ 1,115	13	\$ 437
	30-Jun-2007	6	840	10	235
	30-Jun-2006	20		19	

*One year of information will be added to this schedule in each of the next four years until the recommended six-year history is presented.*

## Schedule of Retirants and Beneficiaries Added to and Removed from Rolls (continued)

Plan	Fiscal Year Ended	On Roll at Year End			% Change in Annual Allowance
		Year End Total	Annual Allowance (expressed in thousands)	Average Annual Allowance	
State Employees'	30-Jun-2008	20,266	\$ 352,161	\$ 17,450	6.6%
	30-Jun-2007	19,583	330,203	16,862	6.8%
	30-Jun-2006	19,108	309,235	16,231	
Special	30-Jun-2008	23	\$ 89	\$ 3,866	(4.3%)
	30-Jun-2007	25	93	3,735	(23.1%)
	30-Jun-2006	28	121	3,907	
New State Police	30-Jun-2008	71	\$ 3,102	\$ 43,701	22.7%
	30-Jun-2007	60	2,529	42,150	33.5%
	30-Jun-2006	48	1,895	39,473	
Judiciary	30-Jun-2008	38	\$ 2,399	\$ 63,122	0.2%
	30-Jun-2007	39	2,394	61,382	(0.6%)
	30-Jun-2006	39	2,409	61,770	
County & Municipal Police and Firefighters'	30-Jun-2008	36	\$ 899	\$ 24,979	16.1%
	30-Jun-2007	32	774	24,201	28.1%
	30-Jun-2006	27	604	22,388	
County & Municipal Other Employees'	30-Jun-2008	24	\$ 141	\$ 5,871	14.6%
	30-Jun-2007	21	123	5,877	32.3%
	30-Jun-2006	17	93	5,487	
Delaware Volunteer Firemen's	30-Jun-2008	1,434	\$ 1,397	\$ 977	7.0%
	30-Jun-2007	1,359	1,305	961	6.9%
	30-Jun-2006	1,304	1,221	937	
Diamond State Port Corporation	30-Jun-2008	33	\$ 261	\$ 7,897	(3.7%)
	30-Jun-2007	33	271	8,215	5.4%
	30-Jun-2006	27	257	9,524	
Closed State Police	30-Jun-2008	547	\$ 21,584	\$ 39,459	3.2%
	30-Jun-2007	547	20,906	38,219	3.0%
	30-Jun-2006	551	20,301	36,979	

## Solvency Test

*(dollar values expressed in thousands)*

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
State Employees'	30-Jun-2008	\$ 470,813	\$ 3,390,993	\$ 2,688,050	\$ 6,751,949	100%	100%	108%
	30-Jun-2007	444,376	3,182,382	2,581,267	6,437,916	100%	100%	109%
	30-Jun-2006	434,605	2,982,471	2,484,996	5,998,746	100%	100%	104%
	30-Jun-2005	414,001	2,702,359	2,456,359	5,660,057	100%	100%	104%
	30-Jun-200	396,614	2,437,522	2,395,791	5,387,560	100%	100%	107%
	30-Jun-2003	375,385	2,025,080	2,394,479	5,125,442	100%	100%	114%
	30-Jun-2002	361,334	1,768,363	2,392,035	4,956,156	100%	100%	118%
	30-Jun-2001	343,466	1,597,526	2,291,252	4,759,031	100%	100%	123%
	30-Jun-2000	325,684	1,453,396	1,990,516	4,409,079	100%	100%	132%
	30-Jun-1999	307,831	1,333,509	1,708,787	3,888,852	100%	100%	132%
Special	30-Jun-2008	\$ -	\$ 492	\$ -	\$ 614	-	125%	-
	30-Jun-2007	-	530	-	673	-	127%	-
	30-Jun-2006	-	704	-	758	-	108%	-
	30-Jun-2005	-	791	-	855	-	108%	-
	30-Jun-2004	-	785	-	933	-	119%	-
	30-Jun-2003	-	768	-	1,009	-	131%	-
	30-Jun-2002	-	742	-	1,832	-	247%	-
	30-Jun-2001	-	993	-	1,866	-	188%	-
	30-Jun-2000	-	834	-	1,834	-	220%	-
	30-Jun-1999	-	826	-	1,720	-	208%	-
New State Police	30-Jun-2008	\$ 35,707	\$ 36,474	\$ 142,740	\$ 216,368	100%	100%	101%
	30-Jun-2007	31,979	29,887	133,945	194,560	100%	100%	99%
	30-Jun-2006	28,551	22,373	119,953	169,824	100%	100%	99%
	30-Jun-2005	25,260	16,667	107,730	150,209	100%	100%	101%
	30-Jun-2004	22,194	13,036	93,702	134,507	100%	100%	106%
	30-Jun-2003	19,405	7,808	79,059	120,457	100%	100%	118%
	30-Jun-2002	16,838	5,057	70,033	109,615	100%	100%	125%
	30-Jun-2001	14,571	2,909	62,560	99,138	100%	100%	131%
	30-Jun-2000	12,600	1,495	54,272	86,810	100%	100%	134%
	30-Jun-1999	10,680	1,319	42,714	72,425	100%	100%	141%

**Solvency Test (continued)***(dollar values expressed in thousands)*

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
Judiciary	30-Jun-2008	\$ 4,382	\$ 20,398	\$ 31,076	\$ 47,209	100%	100%	72%
	30-Jun-2007	3,984	19,998	29,704	43,050	100%	100%	64%
	30-Jun-2006	3,473	20,741	25,963	38,407	100%	100%	55%
	30-Jun-2005	3,126	19,624	21,329	35,112	100%	100%	58%
	30-Jun-2004	2,763	18,817	17,284	32,841	100%	100%	65%
	30-Jun-2003	2,498	18,447	11,374	30,961	100%	100%	88%
	30-Jun-2002	2,300	15,705	12,117	29,049	100%	100%	91%
	30-Jun-2001	1,932	16,622	11,081	27,231	100%	100%	78%
	30-Jun-2000	1,803	14,727	11,578	24,884	100%	100%	72%
	30-Jun-1999	1,064	12,131	12,207	21,256	100%	100%	66%
County & Municipal	30-Jun-2008	\$ 20,669	\$ 10,380	\$ 72,862	\$ 102,423	100%	100%	98%
Police and	30-Jun-2007	17,135	9,072	62,815	87,395	100%	100%	97%
Firefighters'	30-Jun-2006	13,965	6,992	51,875	72,120	100%	100%	99%
	30-Jun-2005	11,441	6,519	43,375	59,711	100%	100%	96%
	30-Jun-2004	9,334	5,656	30,214	48,893	100%	100%	112%
	30-Jun-2003	7,682	2,928	26,088	41,228	100%	100%	117%
	30-Jun-2002	6,114	1,838	22,392	35,053	100%	100%	121%
	30-Jun-2001	4,748	1,950	22,767	29,389	100%	100%	100%
	30-Jun-2000	3,287	643	19,652	23,496	100%	100%	100%
	30-Jun-1999	2,096	643	14,958	17,271	100%	100%	97%
County & Municipal	30-Jun-2008	\$ 1,756	\$ 1,302	\$ 11,250	\$ 12,980	100%	100%	88%
Other Employees'	30-Jun-2007	1,303	1,136	9,139	10,405	100%	100%	87%
	30-Jun-2006	1,005	860	7,357	8,529	100%	100%	91%
	30-Jun-2005	773	876	5,073	7,048	100%	100%	91%
	30-Jun-2004	626	649	2,065	4,275	100%	100%	145%
	30-Jun-2003	502	499	2,331	3,602	100%	100%	112%
	30-Jun-2002	314	355	2,147	3,033	100%	100%	110%
	30-Jun-2001	283	283	1,923	2,794	100%	100%	93%
	30-Jun-2000	227	185	2,192	2,410	100%	100%	91%
	30-Jun-1999	180	144	1,948	1,783	100%	100%	75%

**Solvency Test (continued)***(dollar values expressed in thousands)*

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
Delaware	30-Jun-2008	\$ 4,531	\$ 11,513	\$ 9,675	\$ 12,972	100%	73%	-
Volunteer	30-Jun-2007	4,474	10,709	9,626	12,225	100%	72%	-
Firemen's	30-Jun-2006	4,299	9,925	9,701	11,340	100%	71%	-
	30-Jun-2005	4,105	9,435	9,373	10,665	100%	70%	-
	30-Jun-2004	3,918	8,842	9,190	10,121	100%	70%	-
	30-Jun-2003	3,660	7,946	4,013	9,644	100%	75%	-
	30-Jun-2002	3,419	7,574	3,947	9,333	100%	78%	-
	30-Jun-2001	2,308	7,186	4,343	9,022	100%	93%	-
	30-Jun-2000	2,784	6,887	3,757	8,412	100%	82%	-
	30-Jun-1999	2,744	6,655	3,678	7,447	100%	71%	-
	Diamond State Port Corporation	30-Jun-2008	\$ 2,181	\$ 2,576	\$ 9,382	\$ 13,391	100%	100%
30-Jun-2007		1,905	2,689	9,010	11,911	100%	100%	81%
30-Jun-2006		1,718	2,498	8,522	10,361	100%	100%	72%
30-Jun-2005		1,476	2,126	6,130	8,948	100%	100%	87%
30-Jun-2004		1,217	2,057	5,775	8,140	100%	100%	84%
30-Jun-2003		1,105	1,461	4,490	7,328	100%	100%	106%
30-Jun-2002		997	1,252	4,368	6,675	100%	100%	101%
30-Jun-2001		670	913	4,035	6,044	100%	100%	111%
30-Jun-2000		626	584	4,012	5,188	100%	100%	99%
30-Jun-1999	542	624	3,785	4,171	100%	100%	79%	
Closed State Police	30-Jun-2008	\$ 515	\$ 292,027	\$ 7,370	\$ 618	100%	-	-
	30-Jun-2007	752	285,795	10,636	514	68%	-	-
	30-Jun-2006	863	281,515	11,771	1,663	100%	-	-
	30-Jun-2005	1,168	266,344	16,390	749	64%	-	-
	30-Jun-2004	1,200	267,614	16,230	2,979	100%	1%	-
	30-Jun-2003	1,376	290,867	26,007	2,322	100%	-	-
	30-Jun-2002	1,643	288,736	28,308	2,036	100%	-	-
	30-Jun-2001	2,757	274,477	28,960	1,749	63%	-	-
	30-Jun-2000	3,248	264,722	34,825	1,468	45%	-	-
30-Jun-1999	4,021	256,445	43,970	1,164	29%	-	-	

## Analysis of Financial Experience for the State Employees' Pension Plan

### Gains/(Losses) in Accrued Liability During Years Ended June 30, Resulting from Differences Between Assumed Experience and Actuarial Experience

(expressed in thousands)

Type of Activity	Gain/(Loss) for the Fiscal Years Ended June 30,						
	2008	2007	2006	2005	2004	2003*	2002
Investment Income/(Loss) on Actuarial Assets	\$ (27,225)	\$ 120,673	\$ 33,600	\$ (12,887)	\$ (34,720)	\$ (118,978)	\$ (80,148)
Combined Liability Experience (Loss)/Gain During Year from	(44,449)	(19,423)	(44,930)	(15,530)	(53,146)	23,631	(2,626)
Financial Experience	(71,674)	101,250	(11,330)	(28,417)	(87,866)	(95,347)	(82,774)
Non-Recurring Items	-	-	1,923 **	244	(137,125)	(42,713)	-
Composite (Loss)/Gain During Year	\$ (71,674)	\$ 101,250	\$ (9,407)	\$ (28,173)	\$ (224,991)	\$ (138,060)	\$ (82,774)

\* Certain information from Fiscal Year 2003 has been revised.

\*\* PRI of 2% funded from PRI fund (\$51.6 million loss) and impact of removing disability from pension plan (\$52.8 million gain)

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Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Statistical Section

## About the Statistical Section

This section provides the reader with detailed information about the economic and demographic trends experienced over the past ten years in the System:

*Schedule of Principal Participating Employers* lists the entities that make up at least 50% of the System's two multiple-employer plans (County Municipal Police & Firefighter and County & Municipal Other Employees').

*Schedules of Additions by Source and Deductions by Type* display for each plan the changes in plan net assets as a result of payments made to and by the System

*Schedule of Benefit Deductions by Type* identifies the type of payments made to beneficiaries and to former employees

*Schedule of Retired Members by Type of Benefit by Plan* identifies the range of benefit payments made to retirees sorted by plan and type of retirement for the current fiscal year

*Schedule of Average Benefit Payments by Plan* presents the average monthly benefit paid as of June 30, 2008, for plans that calculate benefits based on years of service or salary

*Schedule of Participating Employers* lists all the current participating entities in the plans and funds within the System

## Principal Participating Employers in the Two Multiple-Employer Plans of the Delaware Public Employees' Retirement System

*Current Year and Nine Years Ago*

County & Municipal Police and Firefighters' Plan	2008		1999	
	# of Participants	% of total	# of Participants	% of total
City of Wilmington Police/Fire	293	33.2%	135	33.2%
New Castle County Police/Fire	244	27.7%	154	37.8%
City of Dover Police	94	10.7%	75	18.4%
All Others	251	28.4%	43	10.6%
	882	100.0%	407	100.0%

County & Municipal Other Employees' Plan	2008		1999	
	# of Participants	% of total	# of Participants	% of total
City of Milford	80	19.3%	-	0.0%
Kent Conservation District	67	16.2%	-	0.0%
Sussex Conservation District	29	7.0%	19	27.5%
Town of Georgetown	26	6.3%	21	30.4%
Town of Bethany Beach	23	5.6%	-	0.0%
City of New Castle	21	5.1%	18	26.1%
City of Harrington	21	5.1%	-	0.0%
All Others	147	35.4%	11	16.0%
	414	100.0%	69	100.0%

## Schedule of Additions by Source

*(dollar values expressed in thousands)*

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of		Member Contributions	Net Investment Other	Net Increase/(Decrease) in Fair Value of Investments	Employer Contributions As a Percent		
			Contributions From PRI Fund	Transfer of Assets from Outside the System				Total Additions	of Covered Payroll	
State Employees'	2008	\$ 101,660	46,856	-	45,761	-	82,719	(193,188)	\$ 83,808	6.1%
	2007	97,000	45,110	-	42,856	-	90,768	851,864	1,127,598	5.9%
	2006	91,013	38,306	-	41,139	-	64,309	602,359	837,126	6.1%
	2005	70,638	33,839	-	37,857	-	62,423	437,425	642,182	4.9%
	2004	57,459	27,790	1,500	36,007	-	100,682	631,656	855,094	4.2%
	2003	40,175	25,878	-	35,130	-	102,753	39,077	243,013	2.9%
	2002	18,148	31,994	-	33,477	-	128,548	(429,051)	(216,884)	1.4%
	2001	20,542	38,191	-	31,888	-	153,955	(429,538)	(184,962)	1.7%
	2000	43,433	33,498	-	29,659	-	148,995	641,970	897,555	3.9%
	1999	52,338	30,933	-	26,932	2	121,749	345,930	577,884	5.2%
Special	2008	\$ -	-	-	-	-	8	(3)	\$ 5	-
	2007	-	-	-	-	-	10	107	117	-
	2006	-	-	-	-	-	8	83	91	-
	2005	-	-	-	-	-	9	69	78	-
	2004	-	-	-	-	-	17	115	132	-
	2003	-	-	-	-	-	19	18	37	-
	2002	-	-	-	-	-	49	(165)	(116)	-
	2001	-	-	-	-	-	63	(175)	(112)	-
	2000	-	-	-	-	-	64	280	344	-
	1999	-	-	-	-	-	56	153	209	-
New State Police	2008	\$ 6,643	210	-	3,221	37	2,567	(6,308)	\$ 6,370	14.3%
	2007	6,334	202	-	3,191	26	2,639	24,960	37,352	13.5%
	2006	5,276	135	-	2,881	22	1,810	16,276	26,400	12.8%
	2005	3,785	81	-	2,636	36	1,650	10,681	19,334	10.0%
	2004	3,125	36	-	2,436	14	2,500	15,065	23,176	9.0%
	2003	2,786	30	-	2,337	10	2,392	1,278	8,833	8.3%
	2002	2,476	35	-	2,112	7	2,781	(9,075)	(1,664)	8.2%
	2001	2,480	29	-	1,710	19	3,118	(8,643)	(1,287)	8.9%
	2000	2,585	24	-	1,294	20	2,857	12,117	18,897	10.0%
	1999	2,624	21	-	1,168	32	2,211	6,481	12,537	11.3%

## Schedule of Deductions by Type

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
State Employees'	2008	\$ -	-	348,070	2,955	4,735	5,613	\$ 361,373	\$ (277,565)
	2007	-	-	327,825	3,164	4,142	5,005	340,135	787,463
	2006	-	-	300,321	2,880	4,779	4,511	312,491	524,635
	2005	-	-	271,281	2,408	4,454	4,210	282,353	359,829
	2004	-	1,500	243,238	2,333	4,479	4,372	255,922	599,172
	2003	-	-	217,126	2,653	4,060	4,954	228,793	14,220
	2002	-	-	194,824	2,409	4,003	4,441	205,677	(422,561)
	2001	-	-	175,312	2,485	3,632	4,658	186,087	(371,049)
	2000	-	-	159,122	2,376	3,573	4,140	169,211	728,344
	1999	-	-	145,391	2,488	2,344	4,843	155,066	422,818
Special	2008	\$ -	-	91	-	13	4	\$ 108	\$ (103)
	2007	-	-	102	-	49	-	151	(34)
	2006	-	-	129	-	28	1	158	(67)
	2005	-	-	122	-	14	3	139	(61)
	2004	-	-	119	-	21	3	143	(11)
	2003	-	750	121	-	35	3	909	(872)
	2002	-	-	143	-	21	4	168	(284)
	2001	-	-	135	-	24	5	164	(276)
	2000	-	-	133	-	12	4	149	195
	1999	-	-	132	-	30	6	168	41
New State Police	2008	\$ -	-	2,882	14	7	72	\$ 2,975	\$ 3,395
	2007	-	-	2,245	15	-	64	2,324	35,028
	2006	-	-	1,723	44	-	60	1,827	24,573
	2005	-	-	1,254	99	-	61	1,414	17,920
	2004	-	-	922	75	-	53	1,050	22,126
	2003	-	-	689	102	-	62	853	7,980
	2002	-	-	367	87	-	56	510	(2,174)
	2001	-	-	289	33	-	48	370	(1,657)
	2000	-	-	166	56	-	40	262	18,635
1999	-	-	113	73	-	45	231	12,306	

**Schedule of Additions by Source (continued from page 94)**

*(dollar values expressed in thousands)*

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
Judiciary	2008	\$ 2,644	350	-	338	-	593	(1,775)	\$ 2,150	28.0%
	2007	2,495	337	-	342	-	591	5,616	9,381	25.4%
	2006	2,002	307	-	320	-	4,179	3,768	6,808	22.1%
	2005	1,391	294	-	275	-	386	2,678	5,024	17.0%
	2004	1,235	253	-	249	-	612	3,817	6,166	16.8%
	2003	1,342	244	-	563	-	620	302	3,071	18.2%
	2002	1,399	293	-	251	-	745	(2,459)	229	19.3%
	2001	1,333	306	-	206	-	869	(2,421)	293	20.5%
	2000	1,666	251	-	183	-	821	3,528	6,449	23.1%
	1999	1,327	221	-	165	-	659	1,944	4,316	24.2%
County & Municipal Police and Firefighters'	2008	\$ 6,246	-	-	3,270	-	1,177	(2,776)	\$ 7,917	13.6%
	2007	5,780	-	-	2,877	-	1,141	10,972	20,770	12.8%
	2006	5,488	-	-	2,348	-	759	6,556	15,151	13.8%
	2005	5,627	-	-	2,003	-	649	4,110	12,389	12.4%
	2004	3,179	-	-	1,696	-	900	5,193	10,698	11.9%
	2003	2,931	-	-	1,546	-	805	567	5,849	12.1%
	2002	2,779	-	-	1,404	-	856	(2,729)	2,310	13.4%
	2001	2,664	-	-	1,265	-	886	(2,417)	2,398	14.3%
	2000	2,771	-	-	973	-	739	3,022	7,505	14.3%
	1999	2,025	-	-	604	-	496	2,075	5,200	14.9%
County & Municipal Other Employees'	2008	\$ 1,492	-	-	451	-	145	(328)	\$ 1,760	6.2%
	2007	820	-	-	366	-	134	1,421	2,741	5.1%
	2006	734	-	-	291	-	81	778	1,892	5.6%
	2005	2,271	-	-	215	-	76	362	2,924	4.9%
	2004	321	-	-	168	-	79	461	1,029	3.8%
	2003	248	-	-	259	-	71	48	626	3.2%
	2002	92	-	-	57	-	76	(246)	(21)	3.6%
	2001	165	-	-	53	-	85	(233)	70	3.7%
	2000	352	-	-	46	-	77	292	767	4.6%
	1999	158	-	-	30	-	53	176	417	5.7%

**Schedule of Deductions by Type (continued from page 95)**

*(dollar values expressed in thousands)*

Plan	Fiscal Year Ended June 30,	Transfer of		Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
		Contributions from PRI Fund	Transfer of Assets Outside the System						
Judiciary	2008	\$ -	-	2,340	-	-	9	\$ 2,349	\$ (199)
	2007	-	-	2,403	-	-	13	2,416	6,964
	2006	-	-	2,346	-	-	10	2,356	4,452
	2005	-	-	2,209	-	-	9	2,218	2,806
	2004	-	-	2,177	60	-	8	2,245	3,921
	2003	-	-	1,971	-	-	10	1,981	1,090
	2002	-	-	1,907	-	-	8	1,915	(1,686)
	2001	-	-	1,949	-	-	8	1,957	(1,664)
	2000	-	-	1,642	-	-	8	1,650	4,799
	1999	-	-	1,498	-	-	23	1,521	2,795
County & Municipal	2008	\$ -	-	836	267	-	96	\$ 1,199	\$ 6,718
	2007	-	-	715	128	-	84	927	19,843
Police and Firefighters'	2006	-	-	567	153	-	87	807	14,344
	2005	-	-	524	235	-	76	835	11,554
	2004	-	-	447	48	-	60	555	10,143
	2003	-	-	244	105	-	67	416	5,433
	2002	-	-	163	122	-	49	334	1,976
	2001	-	-	151	20	-	94	265	2,133
	2000	-	-	69	50	-	38	157	7,348
	1999	-	-	65	26	-	42	133	5,067
County & Municipal	2008	\$ -	-	133	22	-	53	\$ 208	\$ 1,552
	2007	-	-	113	74	-	40	227	2,514
Other Employees'	2006	-	-	94	41	-	43	178	1,714
	2005	-	-	84	13	-	30	127	2,797
	2004	-	-	61	19	-	29	109	920
	2003	-	-	52	41	-	26	119	507
	2002	-	-	41	21	-	15	77	(98)
	2001	-	-	26	9	-	21	56	14
	2000	-	-	21	3	-	16	40	727
	1999	-	-	17	4	-	8	29	388

**Schedule of Additions by Source (continued from page 96)**

*(dollar values expressed in thousands)*

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
Delaware	2008	\$ 1,045	-	-	200	-	142	140	\$ 1,527	-
Volunteer	2007	978	-	-	198	-	167	1,590	2,933	-
Firemen's	2006	899	-	-	203	-	120	1,100	2,322	-
	2005	810	-	-	213	-	116	772	1,911	-
	2004	694	-	-	208	-	188	1,132	2,222	-
	2003	667	-	-	210	-	193	102	1,172	-
	2002	586	-	-	209	-	240	(797)	238	-
	2001	618	-	-	205	-	291	(783)	331	-
	2000	645	-	-	203	-	282	1,198	2,328	-
	1999	660	-	-	203	-	232	615	1,710	-
Diamond	2008	\$ 715	-	-	203	-	156	(378)	\$ 696	7.0%
State Port	2007	626	-	-	209	-	158	1,465	2,458	5.6%
	2006	703	-	-	226	-	109	967	2,005	6.4%
	2005	352	-	-	173	-	98	662	1,285	4.0%
	2004	346	-	-	164	-	150	898	1,558	4.2%
	2003	333	-	-	170	-	143	73	719	3.9%
	2002	341	-	-	157	-	166	(538)	126	4.2%
	2001	386	-	-	154	-	185	(504)	221	4.9%
	2000	389	-	-	143	-	164	684	1,380	5.3%
	1999	407	-	-	125	-	121	412	1,065	6.4%
Closed	2008	\$ 21,267	-	-	24	1	98	-	\$ 21,390	-
State Police	2007	19,159	-	-	35	1	227	-	19,422	-
	2006	20,655	-	-	43	1	78	-	20,777	-
	2005	17,020	-	-	49	1	79	-	17,149	-
	2004	19,420	-	6	53	-	51	-	19,530	-
	2003	17,845	-	757	65	-	63	-	18,730	-
	2002	17,805	-	-	64	-	109	-	17,978	-
	2001	17,174	-	-	69	2	234	-	17,479	-
	2000	16,208	-	-	93	2	198	-	16,501	-
	1999	15,664	-	-	152	5	109	-	15,930	-

## Schedule of Deductions by Type (continued from page 97)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of		Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
		Contributions from PRI Fund	Transfer of Assets Outside the System						
Delaware	2008	\$ -	-	1,393	62	-	38	\$ 1,493	\$ 34
Volunteer	2007	-	-	1,294	72	-	26	1,392	1,541
Firemen's	2006	-	-	1,230	56	-	25	1,311	1,011
	2005	-	-	1,172	43	-	20	1,235	676
	2004	-	-	1,108	31	-	17	1,156	1,066
	2003	-	-	1,057	48	-	18	1,123	49
	2002	-	-	1,018	44	-	17	1,079	(841)
	2001	-	-	971	55	-	22	1,048	(717)
	2000	-	-	920	29	-	22	971	1,357
	1999	-	-	890	51	-	34	975	735
Diamond	2008	\$ -	-	267	16	-	35	\$ 318	\$ 378
State Port	2007	-	-	269	13	-	32	313	2,145
	2006	-	-	239	24	-	26	289	1,716
	2005	-	-	212	21	-	99	332	953
	2004	-	-	199	23	-	30	252	1,306
	2003	-	-	170	24	-	28	222	497
	2002	-	-	185	15	-	27	227	(101)
	2001	-	-	98	8	-	53	159	62
	2000	-	-	75	12	-	17	104	1,276
	1999	-	-	88	12	-	21	121	944
Closed	2008	\$ -	-	21,106	-	84	58	\$ 21,248	\$ 142
State Police	2007	-	-	20,343	-	40	50	20,433	(1,011)
	2006	-	-	19,676	-	121	54	19,851	926
	2005	-	-	19,234	-	133	46	19,413	(2,264)
	2004	-	-	18,901	3	63	50	19,017	513
	2003	-	-	18,429	-	77	59	18,565	165
	2002	-	-	17,705	-	56	17	17,778	200
	2001	-	-	17,040	-	54	63	17,157	322
	2000	-	-	16,078	-	30	51	16,159	342
	1999	-	-	15,481	-	70	63	15,614	316

## Schedule of Benefit Deductions by Type

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
State Employees'	2008	\$ 300,964	24,430	22,676	\$ 348,070	\$ 441	\$ 2,514	\$ 2,955
	2007	281,194	23,346	23,284	327,824	591	2,572	3,164
	2006	255,291	21,931	23,099	300,321	367	2,513	2,880
	2005	229,908	20,211	21,162	271,281	349	2,059	2,408
	2004	205,416	18,560	19,262	243,238	278	2,055	2,333
	2003	182,615	16,986	17,525	217,126	549	2,104	2,653
	2002	162,843	16,130	15,851	194,824	332	2,077	2,409
	2001	146,079	14,858	14,375	175,312	373	2,112	2,485
	2000	132,568	13,587	12,967	159,122	205	2,171	2,376
	1999	121,017	12,528	11,846	145,391	72	2,416	2,488
Special	2008	\$ 45	39	7	\$ 91	\$ -	\$ -	\$ -
	2007	48	47	7	102	-	-	-
	2006	61	61	7	129	-	-	-
	2005	62	54	6	122	-	-	-
	2004	63	50	6	119	-	-	-
	2003	61	55	5	121	-	-	-
	2002	82	56	5	143	-	-	-
	2001	70	57	8	135	-	-	-
	2000	73	52	8	133	-	-	-
	1999	78	46	8	132	-	-	-
New State Police	2008	\$ 1,882	196	804	\$ 2,882	\$ -	\$ 14	\$ 14
	2007	1,499	177	569	2,245	-	15	15
	2006	1,076	140	507	1,723	-	44	44
	2005	646	111	497	1,254	-	99	99
	2004	439	74	409	922	-	75	75
	2003	294	69	326	689	-	102	102
	2002	172	42	153	367	-	87	87
	2001	44	26	219	289	-	33	33
	2000	-	19	147	166	-	56	56
	1999	-	18	95	113	-	73	73
Judiciary	2008	\$ 1,731	495	114	\$ 2,340	\$ -	\$ -	\$ -
	2007	1,761	528	114	2,403	-	-	-
	2006	1,729	505	112	2,346	-	-	-
	2005	1,605	494	110	2,209	-	-	-
	2004	1,598	472	107	2,177	60	-	60
	2003	1,407	459	105	1,971	-	-	-
	2002	1,341	452	114	1,907	-	-	-
	2001	1,497	351	101	1,949	-	-	-
	2000	1,236	298	108	1,642	-	-	-
	1999	1,137	256	105	1,498	-	-	-

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
County & Municipal Police and Firefighters'	2008	\$ 617	60	159	\$ 836	\$ -	\$ 267	\$ 267
	2007	499	61	155	715	-	128	128
	2006	365	59	143	567	3	150	153
	2005	323	57	144	524	-	235	235
	2004	227	56	164	447	-	48	48
	2003	85	55	104	244	-	105	105
	2002	71	26	66	163	-	122	122
	2001	72	32	47	151	-	20	20
	2000	-	32	37	69	-	50	50
	1999	-	34	31	65	-	2,638	2,638
County & Municipal Other Employees'	2008	\$ 112	4	17	\$ 133	\$ -	\$ 22	\$ 22
	2007	93	3	17	113	7	67	74
	2006	81	-	13	94	-	41	41
	2005	72	-	12	84	-	13	13
	2004	49	-	12	61	-	19	19
	2003	40	-	12	52	-	41	41
	2002	28	-	13	41	-	21	21
	2001	21	-	5	26	-	9	9
	2000	19	-	2	21	-	3	3
	1999	15	-	2	17	-	4	4
Delaware Volunteer Firemen's	2008	\$ 1,393	-	-	\$ 1,393	\$ 10	\$ 52	\$ 62
	2007	1,294	-	-	1,294	-	72	72
	2006	1,230	-	-	1,230	-	56	56
	2005	1,172	-	-	1,172	-	43	43
	2004	1,108	-	-	1,108	-	31	31
	2003	1,057	-	-	1,057	-	48	48
	2002	1,018	-	-	1,018	-	44	44
	2001	971	-	-	971	-	55	55
	2000	920	-	-	920	-	29	29
	1999	890	-	-	890	-	51	51
Diamond State Port Corporation	2008	\$ 175	43	49	\$ 267	\$ -	\$ 16	\$ 16
	2007	171	37	61	269	3	10	13
	2006	167	14	58	239	1	23	24
	2005	142	7	63	212	2	19	21
	2004	134	11	54	199	5	18	23
	2003	108	11	51	170	3	21	24
	2002	96	11	78	185	4	11	15
	2001	59	11	28	98	1	7	8
	2000	51	11	13	75	5	7	12
	1999	54	28	6	88	-	12	12

### Schedule of Benefit Deductions by Type (continued)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
Closed State	2008	\$ 14,960	3,025	3,121	\$ 21,106	\$ -	\$ -	\$ -
Police	2007	14,385	2,905	3,053	20,343	-	-	-
	2006	13,881	2,783	3,012	19,676	-	-	-
	2005	13,693	2,537	3,004	19,234	-	-	-
	2004	13,496	2,446	2,959	18,901	-	3	3
	2003	13,090	2,345	2,994	18,429	-	-	-
	2002	12,635	2,111	2,959	17,705	-	-	-
	2001	12,002	2,131	2,907	17,040	-	-	-
	2000	11,352	1,928	2,798	16,078	-	-	-
	1999	10,782	1,870	2,829	15,481	-	-	-

### Schedule of Retired Members by Type of Benefit by Plan

As of June 30, 2008

	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	2,537	-	-	-
	\$1 - 499	4,818	2,355	1,617	846
	500-999	4,585	3,023	909	653
	1,000 - 1,499	3,334	2,634	366	334
	1,500 - 1,999	2,244	1,969	133	142
	2,000 - 2,499	1,675	1,532	58	85
	2,500 - 2,999	1,241	1,165	29	47
	over \$3,000	2,369	2,295	25	49
Special	Deferred	-	-	-	-
	\$1 - 499	19	7	12	-
	500-999	3	1	1	1
	over \$1,000	1	1	-	-
New State Police	Deferred	7	-	-	-
	\$1 - 499	1	1	-	-
	500-999	-	-	-	-
	1,000 - 1,499	1	-	-	1
	1,500 - 1,999	2	1	1	-
	2,000 - 2,499	7	4	-	3
	2,500 - 2,999	15	9	3	3
	over \$3,000	45	32	2	11

### Schedule of Retired Members by Type of Benefit by Plan (continued)

As of June 30, 2008

	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
Judiciary	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1,000 - 1,499	1	-	1	-
	1,500 - 1,999	1	-	1	-
	2,000 - 2,499	2	-	2	-
	2,500 - 2,999	5	1	4	-
	over \$3,000	29	21	6	2
County & Municipal	Deferred	18	-	-	-
Police and	\$1 - 499	1	1	-	-
Firefighters'	500-999	2	2	-	-
	1,000 - 1,499	5	1	1	3
	1,500 - 1,999	7	3	2	2
	2,000 - 2,499	9	6	-	3
	2,500 - 2,999	10	9	-	1
	over \$3,000	2	2	-	-
County & Municipal	Deferred	4	-	-	-
Other Employees'	\$1 - 499	13	10	1	2
	500-999	10	9	-	1
	1,000 - 1,499	1	1	-	-
	1,500 - 1,999	-	-	-	-
	over \$2,000	-	-	-	-
Delaware Volunteer	Deferred	106	-	-	-
Firemen's	\$1 - 74	632	632	-	-
	75 - 99	390	390	-	-
	over \$100	412	412	-	-
Diamond State Port	Deferred	12	-	-	-
Corporation	\$1 - 499	16	11	5	-
	500-999	9	5	2	2
	1,000 - 1,499	7	4	1	2
	1,500 - 1,999	1	1	-	-
	over \$2,000	-	-	-	-
Closed State Police	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1,000 - 1,499	1	-	1	-
	1,500 - 1,999	9	1	7	1
	2,000 - 2,499	67	-	60	7
	2,500 - 2,999	110	72	26	12
	over \$3,000	360	297	8	55

## Schedule of Average Benefit Payments by Plan

The following schedules are presented only for those plans with retirees and/or beneficiaries as of June 30, 2008, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2008 State Employees' Pension Plan			2008 New State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ 731	\$ 344	\$ 910	\$ -	\$ 3,258	\$ 2,557
Average Final Salary	\$ 17,394	\$ -	\$ 53,206	\$ 14,160	\$ -	\$ 46,507
Number of Active Retirees	28	67	1	1	2	2
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 365	\$ 249	\$ 296	\$ -	\$ 2,743	\$ 2,644
Average Final Salary	\$ 37,356	\$ -	\$ 23,570	\$ -	\$ -	\$ 42,454
Number of Active Retirees	839	362	481	-	2	4
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 534	\$ 346	\$ 517	\$ 2,017	\$ 2,851	\$ 2,554
Average Final Salary	\$ 34,260	\$ -	\$ 27,422	\$ 99,999	\$ -	\$ 45,164
Number of Active Retirees	1,259	515	502	1	1	3
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 856	\$ 475	\$ 814	\$ 3,250	\$ -	\$ 4,271
Average Final Salary	\$ 35,581	\$ -	\$ 30,878	\$ 69,986	\$ -	\$ 59,956
Number of Active Retirees	2,199	596	458	8	1	6
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 1,185	\$ 629	\$ 1,164	\$ 3,455	\$ -	\$ 6,757
Average Final Salary	\$ 37,275	\$ -	\$ 33,279	\$ 76,179	\$ -	\$ 79,867
Number of Active Retirees	2,328	545	356	29	-	3
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ 1,701	\$ 835	\$ 1,164	\$ 5,552	\$ -	\$ -
Average Final Salary	\$ 42,811	\$ -	\$ 33,579	\$ 93,681	\$ -	\$ -
Number of Active Retirees	2,997	388	234	8	-	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 2,466	\$ 1,136	\$ 2,226	\$ -	\$ -	\$ -
Average Final Salary	\$ 47,973	\$ -	\$ 50,348	\$ -	\$ -	\$ -
Number of Active Retirees	3,633	419	88	-	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ 3,186	\$ 1,490	\$ 2,989	\$ -	\$ -	\$ -
Average Final Salary	\$ 55,151	\$ -	\$ 46,545	\$ -	\$ -	\$ -
Number of Active Retirees	1,371	187	29	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ 3,442	\$ 1,841	\$ 2,571	\$ -	\$ -	\$ -
Average Final Salary	\$ 51,906	\$ -	\$ 32,935	\$ -	\$ -	\$ -
Number of Active Retirees	319	58	7	-	-	-

## Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2008 Judiciary' Pension Plan			2008 County & Municipal Police and Firefighters' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 1,588	\$ 1,460
Average Final Salary	\$ -	\$ -	\$ -	\$ 42,000	\$ -	\$ 27,400
Number of Active Retirees	-	-	-	1	2	1
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 6,566	\$ -	\$ 5,439	\$ -	\$ -	\$ 1,537
Average Final Salary	\$ 121,230	\$ -	\$ 121,230	\$ -	\$ -	\$ 39,420
Number of Active Retirees	1	-	1	-	-	2
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 4,618	\$ 2,290	\$ 4,076	\$ 757	\$ -	\$ 1,983
Average Final Salary	\$ 101,257	\$ -	\$ 79,846	\$ 39,844	\$ -	\$ 48,635
Number of Active Retirees	5	4	1	2	-	3
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 6,283	\$ -	\$ -	\$ 2,279	\$ -	\$ 2,056
Average Final Salary	\$ 84,657	\$ -	\$ -	\$ 66,018	\$ -	\$ 46,481
Number of Active Retirees	5	-	-	6	-	1
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 7,313	\$ 2,020	\$ -	\$ 2,543	\$ -	\$ 2,019
Average Final Salary	\$ 98,655	\$ -	\$ -	\$ 54,287	\$ -	\$ 49,333
Number of Active Retirees	8	3	-	15	-	2
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ 8,589	\$ 3,694	\$ -	\$ -	\$ 1,800	\$ -
Average Final Salary	\$ 106,491	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	2	5	-	-	1	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 8,301	\$ 4,826	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 118,522	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	1	-	-	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ -	\$ 4,739	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-

**Schedule of Average Benefit Payments by Plan (continued)**

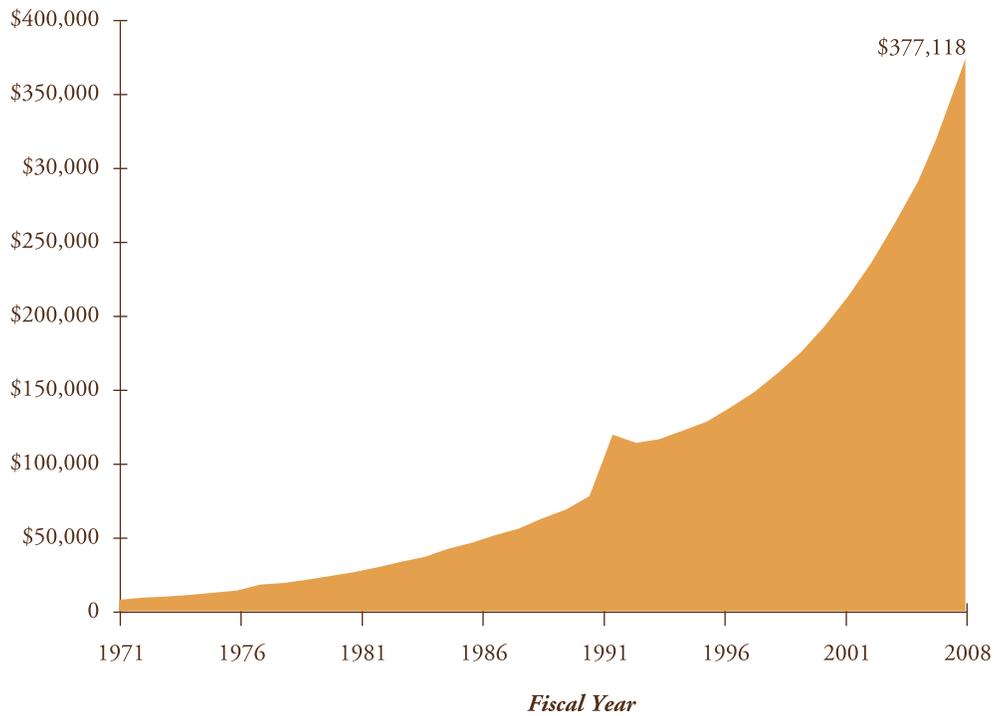
Credited Service	2008 County & Municipal Other Employees' Pension Plan			2008 Delaware Volunteer Firemen's Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ 271	\$ 361	\$ -	\$ 55	\$ -	\$ -
Average Final Salary	\$ 23,366	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	1	-	2	-	-
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 171	\$ -	\$ 184	\$ 65	\$ -	\$ -
Average Final Salary	\$ 16,410	\$ -	\$ 24,070	\$ -	\$ -	\$ -
Number of Active Retirees	5	-	1	2	-	-
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 524	\$ -	\$ 375	\$ 57	\$ -	\$ -
Average Final Salary	\$ 27,133	\$ -	\$ 24,099	\$ -	\$ -	\$ -
Number of Active Retirees	5	-	1	626	-	-
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 643	\$ -	\$ -	\$ 84	\$ -	\$ -
Average Final Salary	\$ 27,489	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	6	-	-	391	-	-
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 662	\$ -	\$ 851	\$ 109	\$ -	\$ -
Average Final Salary	\$ 20,969	\$ -	\$ 24,241	\$ -	\$ -	\$ -
Number of Active Retirees	2	-	1	246	-	-
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	167	-	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 1,039	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 24,683	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	-	-	-	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-

## Schedule of Average Benefit Payments by Plan (continued)

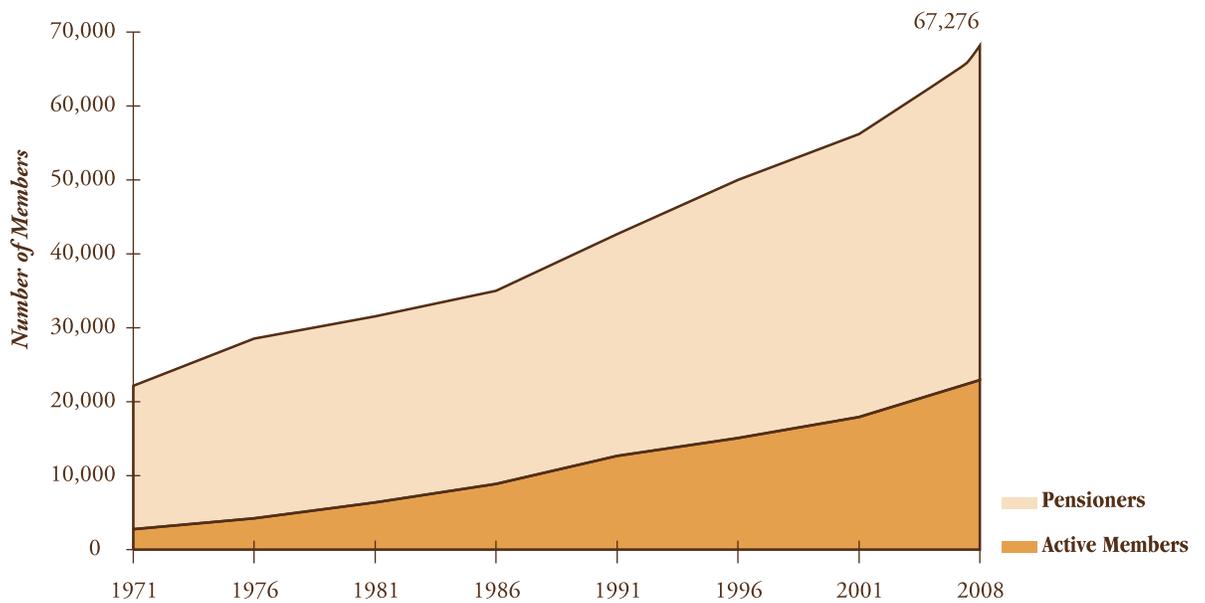
Credited Service	2008 Diamond State Port Corporation Pension Plan			2008 Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ -	\$ 443	\$ -	\$ -	\$ 2,482	\$ 2,776
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,172
Number of Active Retirees	-	8	-	-	2	3
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 257	\$ -	\$ -	\$ -	\$ 2,330	\$ 3,054
Average Final Salary	\$ 23,196	\$ -	\$ -	\$ -	\$ -	\$ 25,793
Number of Active Retirees	2	-	-	-	3	20
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 412	\$ -	\$ -	\$ -	\$ 2,339	\$ 3,261
Average Final Salary	\$ 49,674	\$ -	\$ -	\$ -	\$ -	\$ 28,825
Number of Active Retirees	7	-	-	-	9	25
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 795	\$ -	\$ 953	\$ -	\$ 3,126	\$ 3,715
Average Final Salary	\$ 45,938	\$ -	\$ 38,047	\$ -	\$ -	\$ 47,695
Number of Active Retirees	8	-	3	-	6	17
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 996	\$ -	\$ -	\$ 3,182	\$ 2,448	\$ 4,632
Average Final Salary	\$ 38,105	\$ -	\$ -	\$ 61,453	\$ -	\$ 51,154
Number of Active Retirees	1	-	-	311	79	10
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ 853	\$ -	\$ -	\$ 4,035	\$ 2,332	\$ -
Average Final Salary	\$ 37,626	\$ -	\$ -	\$ 85,434	\$ -	\$ -
Number of Active Retirees	2	-	-	46	3	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 1,892	\$ -	\$ 917	\$ 4,687	\$ -	\$ -
Average Final Salary	\$ 44,144	\$ -	\$ 34,260	\$ 99,394	\$ -	\$ -
Number of Active Retirees	1	-	1	13	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-

## Total Benefits Payments

*expressed in thousands*



## Total Membership



## Schedule of Participating Employers

### State Employees' Pension Plan (established 1970)

State of Delaware, which includes:  
 State of Delaware Charter Schools (1996)  
 Delaware National Guard  
 Delaware Solid Waste Authority (1986)  
 Delaware State University  
 Delaware Technical & Community College  
 University of Delaware (excluding most faculty and designated professional staff)

### Closed State Police Plan (established 1970)

Delaware State Police (Appointed before July 1, 1980)

### New State Police Plan (established 7/1980)

Delaware State Police (Appointed after July 1, 1980)

### Judiciary Pension Plans (established 1970)

Appointed members of the State Judiciary

### Diamond State Port Corporation Plan (established 1996)

Diamond State Port Corporation Employees

### County & Municipal Police and Firefighters' Plans

Town of Bethany Beach (7/2006)  
 Town of Camden (7/2003)  
 Town of Cheswold (9/2002)  
 Town of Clayton (7/2006)  
 Town of Dagsboro (7/1989)  
 Town of Delmar (7/1990)  
 Town of Dewey Beach (5/1991)  
 City of Dover (7/1985)  
 Town of Felton (1/2001)  
 Town of Fenwick Island (8/2007)  
 Town of Georgetown (7/1990)  
 City of Harrington (7/1989)  
 Town of Laurel (1/2006)  
 Town of Middletown (1/2007)  
 City of Milford (1/2005)  
 Town of Millsboro (7/1999)  
 Town of Milton (10/2003)  
 City of New Castle (7/1995)  
 New Castle County (2/1993)  
 Town of Newport (8/2005)  
 Town of Ocean View (5/2003)  
 Town of Rehoboth Beach (4/2005)  
 Town of South Bethany (7/2005)  
 City of Wilmington (8/1991)  
 Town of Wyoming (5/2003)

### County & Municipal Other Employees' Plan

Town of Bethany Beach (7/2006)  
 Town of Camden (10/2006)  
 Cheswold Fire Company (7/2007)  
 Town of Clayton (7/2004)  
 Delaware City Fire Company (7/2002)  
 Elsmere Fire Company (8/2007)  
 Felton Fire Company (7/2000)  
 Town of Felton (4/2006)  
 Five Points Fire Company (10/2007)  
 Town of Georgetown (7/1990)  
 Good-Will Fire Company (7/2002)  
 City of Harrington (7/2002)  
 Harrington Fire Company (7/1999)  
 Kent Conservation District (11/2002)  
 Lewes Fire Company (7/2002)  
 City of Milford (1/2005)  
 Mill Creek Fire Company (1/2007)  
 Town of Millsboro (7/1999)  
 Millville Fire Company (11/2003)  
 Town of Milton (10/2003)  
 City of New Castle (7/1995)  
 Town of Newport (7/2004)  
 Town of Ocean View (5/2003)  
 Port Penn Fire Co. (11/2003)  
 Riverfront Development Corp. (7/2006)  
 Town of South Bethany (5/2003)  
 Sussex Conservation District (7/1987)  
 Townsend Fire Company (7/1999)  
 Volunteer Hose Co. of Middletown (5/1998)  
 Town of Wyoming (5/2003)

**Delaware Local Gov't Retirement Investment Pool**

City of Dover (3/2005)  
 Town of Elsmere (3/2002)  
 Town of Newport (2/2005)  
 Sussex County Government (12/1996)

**County & Municipal COLA Fund**

City of Dover (1991)  
 Town of New Castle (1996)  
 New Castle County (1993)  
 City of Wilmington (1992)

**Delaware Volunteer Firemen's Pension Plan (established 1987)**

Aetna Hose, Hook & Ladder Co. & Auxiliary  
 Brandywine Hundred Fire Co. & Auxiliary  
 Christiana Fire Co. & Auxiliary  
 Claymont Fire Co. & Auxiliary  
 Cranston Heights Fire Co. & Auxiliary  
 Delaware City Fire Co. & Auxiliary  
 Elsmere Fire Co. & Auxiliary  
 Five Points Fire Co. No. 1 & Auxiliary  
 Good-Will Fire Co. & Auxiliary  
 Hockessin Fire Co. & Auxiliary  
 Holloway Terrace Fire Co. & Auxiliary  
 Mill Creek Fire Co. & Auxiliary  
 Minquadale Fire Co. & Auxiliary  
 Minquas Fire Co. & Auxiliary  
 Odessa Fire Co. & Auxiliary  
 Talleyville Fire Co. & Auxiliary  
 Townsend Fire Co. & Auxiliary  
 Volunteer Hose Co.  
 Wilmington Manor Fire Co. & Auxiliary  
 Port Penn Volunteer Fire Co. & Auxiliary  
 Belvedere Fire Co. & Auxiliary  
 Bowers Fire Co. & Auxiliary  
 Camden-Wyoming Fire Co. & Auxiliary  
 Carlisle Fire Co. & Auxiliary  
 Cheswold Fire Co. & Auxiliary  
 Citizens Hose Co. No. 1 & Auxiliary  
 Clayton Fire Co. & Auxiliary  
 Robbins Hose Fire Co.  
 Farmington Fire Co. & Auxiliary  
 Felton Community Fire Co. & Auxiliary  
 Frederica Fire Co. & Auxiliary

Harrington Fire Co. & Auxiliary  
 Hartly Fire Co. & Auxiliary  
 Houston Fire Co. & Auxiliary  
 Leipsic Fire Co. & Auxiliary  
 Little Creek Fire Co. & Auxiliary  
 Magnolia Fire Co. & Auxiliary  
 Marydel Fire Co. & Auxiliary  
 South Bowers Fire Co. & Auxiliary  
 Smyrna American Legion Ambulance  
 Bethany Beach Fire Co. & Auxiliary  
 Blades Fire Co. & Auxiliary  
 Bridgeville Fire Co. & Auxiliary  
 Dagsboro Fire Co. & Auxiliary  
 Delmar Fire Co. & Auxiliary  
 Ellendale Fire Co. & Auxiliary  
 Frankford Fire Co. & Auxiliary  
 Georgetown Fire Co. & Auxiliary  
 Greenwood Fire Co. & Auxiliary  
 Gumboro Fire Co. & Auxiliary  
 Indian River Fire Co. & Auxiliary  
 Laurel Fire Co. & Auxiliary  
 Lewes Fire Co.  
 Millsboro Fire Co. & Auxiliary  
 Millville Fire Co. & Auxiliary  
 Milton Fire Co. & Auxiliary  
 Rehoboth Beach Fire Co. & Auxiliary  
 Seaford Fire Co. & Auxiliary  
 Selbyville Fire Co. & Auxiliary  
 Memorial Fire Co. & Auxiliary  
 Roxana Fire Co. & Auxiliary  
 Mid-Sussex Rescue Squad  
 Georgetown Volunteer Ambulance Service

***Pension Office Programmatic Goal*** is to maintain comprehensive and responsive systems for benefits and funds management, which helps retain a quality workforce and provides a secure and supportive retirement commitment.

